in: 14 firmer

FINANCIAL TIMES

WEDNESDAY FEBRUARY 15 1995





French elections First broadsides of the campaign



UKsteel industry Another reshape in the melting pot



Exporting to India Big Brother lends a hand



Abortion Issue of conscience haunts US politics

World Business Newspape

Buoyant chemical prices help lift BP 36% to £427m

Buoyant chemical prices boosted British Petroleum's fourth-quarter replacement cost profits to £427m (\$662m), a 36 per cent rise on 1993 and the company's best quarterly performance since 1990. The results, which were at the top end of analysts' expectations, took full-year profits to £1.48bn, 32 per cent up on 1993's £1.12hn. Page 21; Lex. Page 14

France loses fight on broadcast quotas:
France loses fight to persuade its EU partners to
support stricter quotas on the screening of Hollywood films and other foreign productions by European broadcasters. Page 14

Dairnier-Benz, German car group, is likely to take a majority stake in Cap Gemini Sogeti, French software company, giving it control of Europe's largest information technology group. Page 15

UK opens way for electricity takeover: The UK opens way for electricity takeover: The UK government cleared the way for the first takeover of a privatised UK electricity company hy announcing it would not refer Trafalgar House's bostile hid for Northern Electric to the Monopolies and Mergers Commission. Page 14 and Lex; Editorial Comment, Page 13

Jolt for French presidential campaign: France's presidential election campaign was jolted by an opinion poll putting Socialist contender Lionel Jospin level with conservative prime minister Edouard Balladur. Jospin would halt privatisa-tions, Page 3; Every man for himself, Page 13

IG Metall ready for talks: German engineering industry employers called for deadlocked pay talks to resume after IG Metall union leaders left the way open for a peaceful solution. Page 2

Zedfilo halts action against rebels: Mexican president Ernesto Zedillo halted military action gainst peasant guerrillas in the southern state of Chiapas and said he was willing to seek a negotiated settlement. Page 4

Washington unites on privatisation: The Clinton administration and the new Republican majority in Congress are joining hands to give new life to the theme of privatisation. Page 4

Brussels aims to drop border controls: Jacques Santer, European Commission president, is set to arouse opposition from the UK, Denmark, Ireland, Sweden and Finland when he calls for border controls inside the EU to be dropped. Page 9;

Japanese banking row: A senior member of the New Frontier party, Japan's leading opposition group, quit amid allegations over his relationship with two troubled credit associations. Page 6

EU to cut development aid: Aid from the EU to developing countries is set to be reduced as ministers meet in Brussels to review how much to pledge to the European Development Fund.

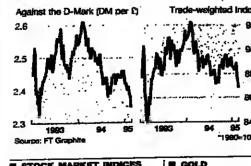
European car sales rise 3.7%: European new car sales increased year-on-year by 3.7 per cent in January, Page 5

S African court to rule on death penalty: South Africa's new Constitutional Court must decide on the future of the death penalty and of nearly 450 people who have been sentenced to die.

London Stock Exchange prices: We regret that some London share prices and related informa tion, including the FT-SE Actuaries All-Share Index, could not be updated in time for this edition due to technical problems at Extel Financial.

Pound at two-year low against D-Mark: Sterling yesterday slipped to its lowest level for two years against the D-Mark as a mix of political and economic worries weighed on the currency. It fin-ished in London at DM2.3563, from DM2.3741. The trade weighted index finished at 86.9, the lowest since August 1994. There was no indication of Bank of England intervention to support the pound.

Currencies, Page 25 Sterling



| 1993 94 Source: FT Graphite | 95 1 | AKS 57 _ | 1980=100 |
|--|--------------------------------|--------------------------------|----------------------|
| E STOCK MARKET IND | ICES | E GOLD | |
| New York lunchtime Dow Jones Ind Av3,952,53 NASDAO Composite788,76 | | | |
| Europe and Far East CAC401,650.31 DAX2116.95 | (-19.09) (-13.20) | | (374.6 |
| FT-SE 100 | (-9.8) (-175.39) | # DOLLAR | time |
| E US LUNCHTIME RATE | <u> </u> | DM1.5104 | |
| 3-mith Treas Bills: Yat 5.947% tong Rond | | SFr1.2733 Y96.5 | |
| Yield7,633% | _ | London: £1,5567 DM1,5137 | (1.5636) (1.5184) |
| UNC 3-mo Interbank | (615%) (9839) | Ffr52473 SFr1279 | (5.261) (1.2818) |
| France: 10 yr OAT | (96.28) (99.35) (96.709) | Y98.68 | (98.57) |
| MORTH SEA OIL (Argu | s) | DM23563 | (2.3741) |
| Brent 15-day (Apr)\$16.775 | (t6.625) | Tokyo close: | Y 98.75 |

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F 425 SingaporeS4.30
Next800 S.Arica R12.00
OR1.50 Spain Pia225
FpA0 Sweden SKr17
ps Pa050 Switz SF6.60
2/142.000 Syrla SS50.00
(without) Turksy Dirt.500
E-220 Turksy L40,000 96/220 Nigeria Pb75 Norway Shi/7.90 Oman L3000 Pokisian L3000 Policiam Pp.40 Y500 Philippines Pac50 JD1.50 Poland 2/42,000 Fits.625 Portugal (m*tand) SF(9.60 SE50.00 Dir(1.500 L40,000 Dh(12.00

THE FINANCIAL TIMES LIMITED 1995 No 32,601 Week No 7

purchases represent." Mr Buffett has been involved with American Express over the years, having bought \$300m of

World Tracks News

UK News.

special preferred stock in the company in 1991. At the time American Express was wrestling with the problems of its broking business Lehman Brothers, since

After a period of upheaval and falling earnings, the company, This hrings his holding, best known for its credit cards and travel agency, appears to be in a recovery phase. According to Mr Harvey Golnh, chairman, earnings are set to rise by 12-15 per cent a year.

American Express shares, which had risen 10 per cent since the turn of the year, rose a further \$1% in early trading yesterday to \$331/2.

Mr Buffett, who has heen described as the most successful US investor of the century, specialises in taking large long-term stakes in companies. A notable example was his 1989 investment in Coca-Cola, which has since outperformed the US market by 160 per cent, giving his holding a

CONTENTS

21,22

LONDON - PARIS - FRANKFURT - STOCKHOLM - NEW YORK - TOKYO

value of almost \$5bn. Berkshire Hathaway's share price rose \$450 yesterday to \$22,950. This gives the company a market value of \$27bn, compared to \$16.6bn for

battles: Rudolph Giuliani (pic-

tured at top) yesterday took radi-

Despite Mr Buffett's high repu-

The UK drinks company Guinness, which he started buying in early 1992 in his first big move overseas, has since underperformed the London market by 40 per cent.

yesterday that Berkshire Hathaway had an 8.3 per cent stake in the Pittshurgh hanking group PNC Bank Corp, worth around \$480m, and had marginally reduced its holding in the defence firm General Dynamics

Japanese loan scandal flares as reformer quits Y3.5bn (\$35.5m) in loans were made to six companies managed International. Mr Takahashi was Mr Yamaguchi added that he had chairman of Tokyo Kyowa, and a never had personal interests in

The government-backed rescue of two small Japanese financial institutions yesterday turned into a major political controversy with the resignation of a reform-ist politician whose party had pledged to fight corruption

The resignation of Mr Toshio Yamaguchi, deputy secretarygeneral of the New Frontier party, is a setback for opposition groups attempting to overhaul the political system and put to an end the era of "money politics". The affair is also a blow to Jap-

developers, whose investments once included an Australian university and a floating luxury hotel moored on the Saigon River in Vietnam.

Mr Yamaguchi quit after newspapers reported that the Tokyo Kyowa and Anzen credit associations, the subject of criminal

anese banks, to the Bank of Japan, the central bank, and to

Mr Harunori Takahashi, one of

the country's most colourful

investigations, had both lent large sums of money to his rela-It was alleged yesterday that

by the relatives, and were used for the construction of half-completed golf courses and country

The two credit associations were rescued by the Bank of Japan last December and merged into a new institution, Tokyo Kyodo Bank.

The bail-out, which has provoked public opposition, came after the discovery of more than Y100bn in bad loans, most to the ambitious Mr Takahashi and his ailing property company, EIE

senior executive of Anzen. He is reported to bave heen a close friend of Mr Yamaguchi, who said yesterday that he wanted to stand back from the loan contro-

"I'd like to draw a clear distinction between my role as a party leader and the reference to my name in this case, so that from now on, my party colleagues can deal with this [the loan issue] impartially," Mr Yamaguchi said. In a letter of resignation accepted by the party leadership.

those family companies alleged to have received the loans. He seems set to widen. denied reports that he had asked Mr Takahashi to assist in arrang-

ing loans to those companie The banks are alleged to have misrepresented their accounts and conducted a range of illegal transactions.

Under Japanese banking law. financial institutions are not permitted to lend more than 20 per cent of their total capital to one customer. The sums involved in atives were considerably higher. The controversy surrounding the rescue of the two institutions

Large banks, including the Long-Term Credit Bank, also ran into trouble with their loans to Mr Takahashi. In addition to his links with

opposition politicians, Mr Taka-hashı is understood to be close to leading figures in the Liberal Democratic party, now part of a ruling coalition.

Japan loan scandal outcry

Tale of two great cities and the leaders trying to restore their fortunes

New York to slash spending by \$2.7bn

By Richard Tomkins in New York

Mr Rudolph Giulianl, the Republican mayor of New York, yesterday attempted to resolve its growing financial crisis by announcing the higgest package of cuts in benefits and services

In what critics swiftly duhbed the St Valentine's Day Massacre, Mr Gluliani outlined plans for slashing \$2.7bn spending from the budget for the year starting this July, with the brunt of the cuts falling on welfare programmes for the poor.

New York's planned spending total in the fiscal year about to begin is \$30.5bn, more than that of some small countries. By law, it has to balance its books: but in spite of earlier spending cuts and a reduction of more than 20,000 in the municipal workforce from the peak of 216,000 early last year, Mr Giuliani has found himself \$2.7bn short of the sum needed to pay next year's bills. Part of the reason is the recent downturn in revenues caused by poor profits on Wall Street and a stagnant property market. But Republicans say the city's real problem is that its long tradition of generosity towards the needy has left it with a far greater array of social services than the local economy can afford.

Politics apart, the city's financial problems are real. Last month, Standard & Poor's, tha credit rating agency, threatened

to downgrade the municipal gov-ernment's debt from single A minus to triple B unless it set out a convincing financial plan by April.

A downgrading would increase the city's borrowing costs, mak-ing its financial difficulties

Yesterday's hudget cuts were intended to demonstrate the city is putting its financial house in order but they will undoubtedly prove controversial. Some proposals will require able-bodied welfare recipients to do community work such as street cleaning, snow removal or park maintenance in return for their benefits. Mr Giuliani said this represented the largest application of such requirements in the

Other money-saving measures include a crackdown on welfare fraud through the purchase of a This will verify the identity and eligibility of applicants for wel-fare benefits and medical aid.

A total of \$1.2bn of savings will come from cuts in Medicaid which provides healthcare for the indigent, and from two programmes that provide financial assistance for the unemployed: Aid for Families with Dependent

Children, and Home Relief.
The bulk of these savings. ome \$800m, stem from reductions in Medicaid entitlements already amounced by Mr George



Moscow mayor fights to keep city at centre

By Chrystia Freeland in Moscow

Since 1917, when the Bolsheviks moved the seat of Russian gov-ernment from St Petersburg back to the Kremlin, the medieval fortress of Russian tsars, Moscow has enjoyed a privileged place in

Russian life.
In the Soviet era, trains from Moscow to the provinces were known as "the sausage routes" after the overflowing sacks of provisions inhabitants of less favoured cities would haul home from the well-stocked capital. spouses hecause marriage to them brought-the right to live in the Soviet Union's most impor-

The collapse of central planning has deprived Muscovite commissars of the ability to requisition the best produce from the rest of the country. But as the capitalist transformation of Russia moves haltingly forward, Moscow is fighting to remain Russla's most prosperous and most privileged city.

The man leading that fight is Mr Yuri Luzhkov, the rubicund 58-year-old mayor of the capital, who has a degree in chemistry and a penchant for swimming in icy waters. He is one of Russia's most influential politicians.

Mr Luzhkov derives the power to defy national laws from his

control over all land in Moscow. which has become a city with some of the highest property prices in the world and one of the world's least transparent prop-

erty markets. The mayor's control over the capital city's coveted real estate has led to frequent, but never substantiated, allegations of cor-ruption. It is, however, undisputed that Mr Luzhkov has used his control over Moscow property to cement close alliances with some of Russia's leading banks, including the Most hanking

Mr Vladimir Gusinsky, bead of the Most hanking and media empire, acknowledges that Most, which still has offices in the city hall, owes its initial rise to a good relationship with Mr Luzhkov. "Mr Luzhkov's political power

is based on the financial groups that hought property in Moscow," says Mr Andrei Volgin, a Moscow broker. "I think we will now see quite a serious fight between the Moscow financial groups supporting Luzhkov and the oil and gas lobby which sup-port Prime Minister Viktor Cbernomyrdin.

For Moscow's 9m inhabitants.

Continued on Page 14 Identity crisis in Kaliningrad; Yeltsin aides try to bny support'. Page 2

Continued on Page 14 most prosperous city Buffett chases 10 per cent stake in American Express

By Tony Jackson in New York

Mr Warren Buffett, the US investor, has spent more than \$600m since the start of the year Express, the financial services

through his investment company Berkshire Hathaway, to 9.8 per cent. Application has been made for regulatory approval to take the stake over 10 per cent. American Express welcomed the stake, saying: "Mr Buffett has advised us that the purchases are for investment purposes ... [He] is one of the market's most respected and successful long-term investors. We are delighted with the vote of confi-

dence in American Express that

the Berkshire Hathaway share

American Express.

tation, he has had some upsets. His involvement with the Wall Street broking bouse Salomon, where be holds almost 20 per cent of the voting stock, has had its share of problems.

It was separately announced

to 8.4 per cent.



By Christopher Parkes in Frankfurt

German engineering industry employers yesterday called for deadlocked pay talks to resume after IG Metall union leaders left the way open for a peaceful solution for a further two days. Mr Klaus Zwickel, union

president, had earlier warned employers that it was "possible" to hold the necessary bal-lots and start official strikes before the end of the month. He accused management of wasting every opportunity to

reach a peaceful settlement and leaving the union oo choice but to start industrial action. "You can take my word that we did not want the coming strike." he told a press con-

But Mr Zwickel, who last week threatened that full-scale stoppages would be "unavoid-able" unless industry gave a

Public opinion polls give FDP a boost in Hesse election campaign

Germany's struggling Free Democrats (FDP), junior partners in the Bonn government, received a double boost yesterday with two opinion polls showing them surviving this weekend's state election in Hesse. Reuter reports from

The Forsa institute gave them 8 per cent of the vote, three points clear of the

signal of its readiness to com-

promise by Monday this week,

appeared to invite fresh

approaches when he said the

final decision on the timing of

ballots and stoppages would be

made at a special meeting of

the union board tomorrow

Metall bad never used the

Although he stressed that IG

minimum required. The Ipos institute, which lest month put the party on 3.6 per cent, said it now looked set narrowly to clear the 5 per cent hurdle and retain its

seats in the state assembly. Both polls forecast that the existing coalition of Social Democrats and Greens would be re-elected on Sunday. Forsa gave the SPD 36 per cent and the Greens 14 per

strate the membership's will-

wave of so-called "warning"

walk-outs and marches today.

square in Frankfurt, Ger-

many's financial capital, where

IG Metall's threats and exten-

sive warning strikes in past weeks have so far failed to

impress the markets.

Kaliningrad joint ventures

Number Total investmer of JVs (Rbs)
188, 2.80bn

0.56bn

cent; Ipos put support at 41 per cent and 12 per cent respectively. Chancellor Helmnt Kohl's Christian Democrats (CDU) received 38 per cent in the Forsa poll and 40 per cent from Ipos. At the last poll in Hesse state, where Frankfurt is located, the SPD won 40.8

per cent, the CDU 40.2, the Greens 8.8 and

cent pay award, to emerge ingness to strike in a concerted eventually with 3-4 per cent, a level considered to have few inflationary consequences. Venues includa the main Engineering industry leaders

reaponded to yesterday's events with a suggestion that the union should select one group of regional negotiators to represent the whole membership in "pilot" negotiations for the whole country.

Mr Hans-Joachim Gottschol,

ESTONIA

compromise could then be hammered out which included

"a positive pay figure" for the

workforce. However, it would be too expensive to purchase a peace settlement with an agreement which damaged companies, choked the economic recovery and destroyed the unemployed's chances of finding

work, he said. Mr Zwickel, on the other hand, said a 6 per cent pay award would generate jobs by promoting private consumption and thus accelerating the export-led economic recovery. The engineering industry

negotiations - the outcome of which is expected to set the pattern of pay awards for other sectors - bave stalled because employers have refused to discuss pay in isolation from complementary cost-saving propos-

Yeltsin aides 'try

RUSSIA

support' By Chrystia Freeland in Moscow

to buy

Liheral deputies in the Russian parliament this week accused President Boris Yeltsin'a aides of offering them money and other perks in exchange for their political

backing. The deputies said that at a meeting last week at Desna, a holiday resort ontside of Moscow, three liberal aides to tha president sought to persuade a group of legislators to form a new parliamentary fac-tion which would back Mr Yeltsin hut oppose Mr Victor Chernomyrdin, the prime min-

As an inducement to form a presidential faction, the deputies said they were offered financial support, apartments

The untested allegations underscore both the intensity of the political battle currently under way in Moscow, as Russia gears up for presidential elections next year, and the sometimes shady manner in which that struggle is being

At the centre of Russia's political maelstrom is President Yeltsin, who remains the most powerful leader in the country but whose long-term political future is looking increasingly shaky.

The immediate reason for that fragility is the rift which the Chechen war has provoked between the president and his long-suffering liberal backer, Russia's Choice, the party led by Mr Yegor Gaidar, his former prime minister.

The open split between Mr Yeltsin and Russia's Choice, which controls a faction in parliament and has a national political infrastructure, comes at a time when the president and his aides appear particu-larly wary of potential political rivals.

Over the past few months

One option for Mr Yeltsin ais, connected to Russia's security forces, who have nent within his entourage. But ident'a team of aides, who

This effort led to the Desna pro-presidential hloc.

This week's accusation, from a group of legislators who attended the meeting, that the

"Participants in this new venture were promised financial support in the next election and jobs and apartments in Moscow in case they lost the election," the group of MPs, who asked that their

The charges have further alienated many of Mr Yeltsin's most prominent former liberal

"The authorities are looking for allies too late and in a dirty way," commented Mr Boris Fyodorov, a former minister of finance and now a EUROPEAN NEWS DIGEST

Chechen truce fails to hold

Less than 24 hours after Russian officials announced a partial ceasefire in the fighting in the hreakaway republic of Chechnya, the accord was broken by exchanges of rocket and shell fire between Russian and Chechen forces. The exchanges which fit into a consistent pattern of Russian military commanders defying Mr Boris Yeltsin's calls to stop the fighting jeopardise the president's effort to staunch domestic and international criticism of the military intervention in Chechnya by declaring that the war is over and the situation is proceed "normally". The threat that the Chechen conflict poses to Mr Yeltsin's relations with western leaders - whose support is crucial if Russia is to receive funding from the International Monetary Fund - was underscored by a telephone conversa-tion on Monday evening between Mr Yeltsin and Mr Bill Clinton, the US president. Mr Clinton, who has been among the staunchest of Russia's western allies, warned the Russian president of "the importance of an end to the bloodshed". Last week, Mr Clinton said that he and German Chancellor Helmut Kohl, who prides himself on a close personal relationship with Mr Yeltsin, 'have both made clear our fears about the corrosive effect the conflict in Chechnya can have on democratic market-oriented reforms". Chrystia Freeland, Moscow

UN promised access to Bihac

Croatian Serbs have authorised a United Nations convoy of 20 trucks to pass through their territory into the beleaguered Bosnian Moslem enclave of Bihac, a spokesman for the UNHCR refugee agency said yesterday. Earlier Mr Graham Day, a UN official, dismissed the international relief effort as "gutless" for failing to deliver emergency relief to Bihac in north-western Bosnia. Mr Ron Redmond, spokesman for the UNHCR had also exid. "We don't know of anyone who has UNHCR, had also said: "We don't know of anyone who has starved to death yet hut it's certainly possible in the very near future if this [Serb blockade] continues." Bosnian President Alija Izetbegovic wrote to the UN on Monday warning his army would renounce the ceasefire and attack the Serbs elsewhere in the country unless the Bihac situation was stabilized. lised. Envoys of the five-power Contact Group yesterday considered a new initiative to persuade the warring leaders of former Yugoslavia to agree a peace settlement. The four-part proposal, put forward by France as the "last-chance plan", calls for Serbia to recognise Bosnia and Croatia in exchange for the suspension of UN sanctions on Belgrade. Laura Silber, Belgrade and Agencies

German coal issue unresolved

Germany's governing coalition yesterday again failed to reach agreement on ways to finance the country's uncompetitive coal industry, and instead postponed any further discussion until after next Sunday's state elections in Hesse, However, they did agree to restart, in early March, the cross-party "energy consensus" negotiations aimed at working ont a long-term strategy for the country's nuclear, coal and gas industry. The main sticking point in yesterday's talks, which lasted only two hours, was whether to finance German coal production until the end of the century by an across-the-board energy tax, or from the budget. Currently, domestic coal is subsidised by the *Kohlepfermig*, an 8.5 per cent levy imposed on industrial and domestic electricity consumers. The *Kohlep*ferinig has to be phased out by the end of this year following a decision by the constitutional court that the levy is unconstitutional. Judy Dempsey, Bonn

Waigel pledge on funds to east

Mr Theo Waigel, the German finance minister, said vesterday he would tighten controls on the flow of public funds to eastern Germany following reports that ahout DM65bn (\$42,40bn) - about 10 per cent of total net transfers - had gone astray. Mr Waigel said east German ministers should suggest measures whereby money could be better controlled. But the minister would not comment on the figure of DM65bn mentioned by the weekly news magazine, Spiegel. "Whether it is a question of millions or billions, the eastern states must stop all abuses and reports of state auditors must be carefully examined." he said. Michael Lindemann, Bonn

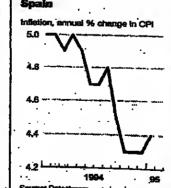
Mercedes bus takeover cleared

The European Commission yesterday cleared Mercedes-Benz's takeover of the troubled Karl Kaessbohrer bus group, despite fears that it would give Mercedes a dominant position in the German market. The Commission accepted without discussion an earlier recommendation of its advisory committee of national experts in favour of the merger, which gives Mercedes 57 per cent of the bus and touring coach market in Germany. An important factor in favour of the takeover was that the German public bus contracts are open to foreign bidding, thus allowing greater competition in tendering. Mercedes and Kaessbohrer will hold around 28 per cent of the EU market. Lionel Barber, Brussels

Move to end Alitalia dispute

Italian ministers hope to end the damaging industrial dispute at Alitalia, the state airline, by bringing together for the first time management and all staff unions. Two days of disruption by ground staff and pilots against Alitalia's drastic restructuring plans ended at midnight last night. Mr Tiziano Treu, labour minister, and Mr Giovanni Caravale, transport minister, believe part of the problem in the Alitaia dispute is the confusion of different national and independent unions involved. Mr Treu has said he is prepared to act as mediator at a round-table discussion, if required, but no date has been set for talks. The strika planned for today by air traffic controlers' unions has been suspended following talks between unions and Mr Caravale. The controllers are protesting about the uncertain future of Anav, the air traffic control authority, which is under the management of a government appointed commissioner until the end of the month. Andrew Hill, Milan ECONOMIC WATCH

Spanish consumer prices up 1%



A 1 per cent spurt in Spanish consumer prices in January was greeted as "good" by the government, since it was well below expectations. Most analysts had forecast a jump of at least 1.5 per cent. Fears of a surge in inflation following an increase in value added tax rates prompted the newly independent Bank of Spain to raise its benchmark interest rate from 7.35 per cent to 8 per cent last month, the first upward move for two years. The economy ministry yesterday pointed out that the January price rise was no more than in the same month last

year. Over 12 months, the rate was 4.4 per cent against 4.3 per cent in December. But analysts were still sceptical about prospects for achieving the official target of 3.5 per cent by the end of the year, and expected water shortages to push food prices up further. They also voiced concern about a 5.3 per cent annual increase in factory gate prices last year, the highest since the mid-1980s. David White, Madrid ■ Greece's unemployment rate rose to 218,490 or 8.3 per cent year-on-year in January, compared with 204,897 or 8.2 per cent in the same month of 1994.

■ Duich non-seasonally adjusted unemployment rose to an average of 492,000 in November-January or 7.6 per cent of the workforce, up from 480,000 in the October December period or 7.4 per cent of the workforce.

start a few days later. strike hallot as a tactic to Most economists and industempt employers back to the regional try observers expect the union. branches prepared to demonwhich is demanding a 6 per oegotiating table, he said compresident of the Gesamtmetall Kaliningrad opens its fortress gates

The former Prussian region, long part of Russia, is trying to break free from decades of dominance by the military, writes Matthew Kaminski



Russian troop convoys roll down old Prussian roads. Sturdy German houses and modern Polish stores contrast with a bleak

Soviet cityscape. Tucked between Poland and Lithuania. Kaliningrad, the former Prussian port city of Königsberg, suffers an Identity crisis. Russia's western enclave may be a military fortress or an emerging entrepôt trade centre. It can be either, hut not both.

The progressive civilian authorities favour economic development. For three years, the governor, Mr Yuri Matochkin, has tried to promote his region's free economic zone with its customs and tax hreaks. He has pointed to its strategic location and favourable wage differentials to nearby Poland and Germany. The old east Prussian region, closed for almost five decades, has made strides: 866 joint veotures have been set up with Rbs13.95bn invested. The biggest is a telecommunications eoterprise, a

long-term strategic investment unlike standard consumer ventures, launched in autumn by France Telecom and the local provider after a two year struggle to get the necessary licences. On \$7m start-up capltal, Westbalt plans to link the world and to serve husiness cli-

Mr Mark Wojciechowski, its French general manager who worked in Argeotina, another transitional economy, before coming to Russla, shows off a \$4.6m Alcatel switchboard, satellite station and data transmission network all housed next to the archaic local equipment. A 20-year-old waiting list

will provide the local clients. Smaller enterprises capitalise on cheap and well-educated labour to produce satellite launching equipment or do low-cost scientific research.

Professionell Effizent Zuverlässig (PEZ), a German computer company set up hy a Königsberger evicted 50 years ago by the Red Army, sells bardware and software compatible with Russian equipment. After a DM60,000

More than 800 ioint ventures have been set up but foreign capital remains nervous

(£25.000) initial investment, the venture turns over DM2.6m a year since, as Mr Aleksander Petrushenas, the general manager, says: "Everyone needs a computer in this economy."

The city centre, spacious and decrepit, evokes the narrow streets and wrought facades of old Königsberg. It looks better and cleaner than a year ago during the Russian parliamentary elections, when hitterness and an uneasy military atmosphere pervaded the streets. bank headquarters has risen

across the vacant square from the monumental Dom Soviet, the unfinished party building started 20 years ago. "It's a good idea to have an affiliate here and see what happens with the free economic

zone," says Mr Yuri Matveev, vice-president of investbank,

which serves mostly German

There's virtually no invest-

Despite the local govern-ment's efforts, Kaliningrad's ambition to become an export processing or offshore banking centre like Mauritius remains vears away.

and Polish clients. But he adds:

promise was always possible.

A settlement was reached

last year after a strike ballot

hut before stoppages began, Mr

Zwickel said, hut this was one

of only two such instances in

the union's history. The leader-

ship had agreed yesterday that

the first three days of next week seemed a "suitable" time

to bold a ballot. Strikes could

Mr Yuri Bedenko, who chairs the region's free economic zone's development committee, blames Moscow. The five-year tax holiday and custom duty exemption for most goods produced in the region are not backed by law, only presiden-tial decrees. The lack of guarantees frightens potential

The regional administration's moves towards greater federalism are proving difficult. Moscow must approve any joint venture over Rbs100m. It also rejects plans to lower regional taxes and stalls on efforts to create an offshore hanking centre for capital fleeing Russia, Representation in the upper house of parliament by Mr Vladimir Shumeiko, an influential deputy prime minister, has had lit-

tle effect.
"Our government's run by idiots," proclaims Mr Aleksander Egorov, a bombastic bustnessman sporting a Coca-Cola tie, who represents Kaliningrad in Russia's council of free economic zones. "If I lived mitment to c abroad, I wouldn't put a cent mercial use.

permit duty free shops to attract traders now going to Turkey and modernise the country's two ports to compete with the Baltic countries for Russian transit trade.

Unlike the Russian Far East regions angling for greater autonomy, however, Kalinin-grad lacks natural riches. The industrial infrastructure was



and train car factories pushed unemployment up to an unofficial rate of 30 per cent. Organised crime and a small domestic market are also a barrier. Kaliningrad's main asset is

the fact that it has Russia's only warm-water Baltic port. The shallow inland port plans to open a 11m tonne oil terminal this year, but the docks are hampered by poor land links and difficult border crossings. Cargo turnover dropped from 5m tonnes in 1992 to 3.5m tonnes last year. The deeper and more attractive military port at Baltisk awaits a commitment to conversion for com-

main obstacle to change. Neighbouring countries worry about the presence of up to 200,000 soldiers in a region of 900,000. A simmering dispute with Lithuania over transport rights was resolved last month, but investors will not commit themselves unless Moscow changes its mind about withdrawing the military.

Until then, Kaliningrad remains risky. Its powder keg potential is underscored by revanchist sentiment among a generally progressive populace: Gen Aleksander Rutskoi marked the anniversary of the 1993 parliament battle here and banners at nationalist demonstrations read: "We'll never give back the Kuriles," alluding to Russia's other remaining

war prize in the Pacific. Mr Dmitry Akhiatley, a manager at Moscow's Aktiv investment firm visiting Kaliningrad, believes the region's future lies in central investment from Moscow and a continued military presence to safeguard Russia's regional interests. These sentiments worry

Poland. Lithuania and the Nordic countries. But, despite unresolved disputes played out grad's residents are taking a new found pride in their Baltic Slavic land. In their proximity to the west lies greatest hope.

The people who first came here had no roots," says Vic-

tor, a fisherman. "There was no reason for them to take care of these buildings or roads. But this is my city, and It is my children's city.

the presidential team has moved to thwart the potential amhitions of the two most powerful possibla pretenders to the throne: Mr Chernomyrdin, who enjoys the backing of the oil and gas sector, and Mr Yuri Luzhkov, the mayor of

would be to commit himself fully to the hardline individubecome increasingly promithat prospect does not suit the liberal faction within the preshave begun to search for an alternate powerbase for Mr

meeting, where three of the president's liberal advisers allegedly tried to persuade a group of some 20 parliamen-tarians from liberal and centrist factions to form a new

president's man effectively sought to buy their support, suggests that the effort may have backfired.

names not be reported, alleged in a formal statement.

hackers.

Russia tackles share registration chaos equity on international mar-kets, will become one of the

By John Thornhill in Moscow

A group of Russian and foreign financial institutions is trying to bring greater order to Russia's chaotic stock market by creating an independent share registration service. Security of ownership has become one of the most pressing concerns for investors following a series of scandals in which shareholders' pames have been erased from company-run registers. Mr Dmilri Vasiliev, executive head of the Russian Commission on Securities and Stock Markets, which is charged with regulation the country's capital markets, wel-

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comed the development as a first step in raising standards.

"It is evident that the Russian stock market is experiencing an uneasy time at the moment. One of the causes of this crisis is that there is not more infrastructure in the Russian market." Mr Vasiliev said. "There is no real share registration, little security of ownership and a lack of information. This year we must do the maximum possible to create order in the markets." Russia's nascent stock mar-

ket, which blossomed last year following the country's mass privatisation programme, has been hard hit by the Chechen can financial crisis, the uncertain political and economic climate and some well-publicised financial scandals. But the fostering of effective

capital markets remains central to government efforts to wean industry off inflationary state credits and create the basis for a developed free market economy. Other projects are being undertaken to develop stock market trading. clearing and settlement

war, the backwash of the Mexi-

The absence of even a rudimentary stock market infrastructure has deterred main-stream foreign fund managers

from investing in Russia and tarnished the stock market's reputation among domestic The share registration service will be run hy an indepen-

dent company created by two Russian financial institutions, Oneximhank and Nikoil, and the Bank of New York, which has widespread international expertise in this field. Mr Mitchell Kessler, the hank's senior vice-president, said the system should be up and running by April, and fully operational later this year. Lukoil, one of Russia's larg-

est oil companies which is seeking to sell 15 per cent of its

first companies to use the ser-Mr Boris Jordan, co-head of the Moscow office of CS First

Boston, the most active western stockhroker in Russia, said: "There are several regis-tration systems around but I think this one will have the most credibility. It is an effective partnership between the regulator, Russian corporations and western financia institutions

The project has been part financed by the European

Bank's justification for financing questioned by independent report

EBRD criticised on N-plant loan

By Jane Martinson

The economic justification for the controversial financing by the European Bank for Reconstruction and Development of a nuclear plant in Slovakia was said yesterday to be full of omissions, inconsistencies and mathodological deficien-

A report by Oko-Institut, a German ecological organisation, argues that documents published by the bank to justify the DM1.3bn (\$840m) loanwrongly suppose the nuclear plant to be the cheapest way of supplying Slovakia's energy needs. The money would fund completion of two partially built 440MW Soviet-designed pressurised water reactors at Mochovce, about 120km east of Bratislava, the capital.

the EBRD's proposed involvement with Mochovce. Austria has threatened to terminate its membership if the bank goes

Mochovce must be the "least cost option" in order to satisfy the EBRD's own conditions for the loan. The bank's analysis, prepared by UK consultants Puttnam, Hayes and Bartlett (PHB), says Mochovce will cost DM682m less than its nearest competitor, a combined-cycle

The report will add new heat fuel prices, and over-optimistic and the European Investment to an already tense debate over discounting rates for decome Rank, which is advising the

gas turbine plant. The Oko-Institut report, commissioned by Greenpeace, says several inaccurate forecasts in the bank's study work to the advantage of Mochovce. These include gas prices which are too high, a different exchange rate for construction costs and mended by the World Bank

discounting rates for decom- Bank, which is advising the

Mr Antony Froggart, a involvement in Mochovce. Greenpeace nuclear campaigner, said yesterday: "Our study shows that the completion of Mochovce is not the best economic option for Slovakia and that the basis for continuing to support the project is erroneous. Therefore, the EBRD has an obligation to follow its own procedures and pull out of the project."

Greenpeace concludes that the nuclear plant is likely to cost DM499m more than the gas alternative over the lifetime of the plant. The Oko-Institut report points out that gas prices fore-

cast hy the EBRD study are

higher than those recom-

European Commission on its

Mr David Nelson, a PHB associste and main author of the EBRD's cost analysis, supports the figures used in his report as "ones which we con-sider the hest and the least motivated by political pressure". He says the gas price forecasts used are "lower than some and higher than others". He accepts however that the

argument is a close one. "The numbers we are talking about are small. I don't know if I would make this decision based on economics, despite being an economist... In terms of the economic argument Mochovce is certainly not a clear winner but nor is it a

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Jospin would halt privatisations

Mr Lionel Jospin, the Socialist candidate in the French presidential elections, said yester day that if elected he would halt the country's privatisation programme, the centrepiece of the conservative government's industrial policy.

Speaking in a radio interview, however, Mr Jospin indicated that he would not seek to renationalize the banks, insurance companies and industrial groups which have been privatised since the centre-right government of Mr Edouard Balladur took office in March 1993.

"I think it is scandalous that the privatisation programme is continuing," he said, referring to the list of 21 public sector groups already sold or earmarked for sale by the government. "I am for stopping the programme, but not for renationalisation."

The Socialist candidate for the April-May elections suggested, however, that the ownership of the country's large water distribution com-



Front-runner: Prime Minister Balladur campaigns in the southern

and Générale des Eaux, should be examined. Last year a series of corruption investigations into ntilities and public works companies prompted several politicians to propose nationalisation to avoid political funding scandals.

privatisation resembles the "Ni-Ni" (Neither, Nor) policy of the previous Socialist government, which held office between 1988 and 1993. Under this policy, laid down by President François Mitterrand and his prime minister. Mr Michel Rocard, companies already pri-

private sector but further departures from public owner-ship were ruled ont. Mr Edmund Alphandéry, the French economics minister, and one of the principal architects of the privatisation drive,

Elf Aquitaine, the oil group, and Rhone Poulenc, the chemivatised would remain in the cals and pharmaceuticals concern - have drawn an average of more than 2m investors.

Although the slump in share prices has limited enthusiasm for recent issues, such as Renault, unions have failed to win support for their opposition to the sales.

"old-fashioned socialism". "Mr

Jospin appears not to have understood the movie at all,"

he said, adding that in all

countries, including those governed by Socialists, privatisa-

ments on financial markets. "I

don't think the markets will

be very worried," said Mr Jean-François Mercler, econo-mist at Salomon Bros. He cited

the fact that Mr Jospin trails

far behind Mr Balladur in the

polls and that Socialists have tended to adopt a pragmatic stance once in power.

Other observers questioned

the popularity of the stance

The privatisations conducted

so far - including the sale of

tion was being implem Analysts played down the impact of Mr Jospin's comitalian party logos: how the symbols clash



Italian party line-up is heavy on image

Professor Romano Prodi has just added another shrub to Italy's overgrown political horticulture. The olive tree will be the symbol for the broad centre-left coalition forming up behind the Bologna economist, ready for the next election campaign

The olive, explained Prof Prodi this week, is a plant with strong roots, resistant to bad weather. It's tough ... but also soft and beautiful, the symbol of Italy and hard work."

It is also, according to legend, a tree which grows best next to the oak, which happens to be the symbol of Italy's Democratic Party of the Left (PDS), the former communists whose support Prof Prodi needs if his quest for political power is to succeed. It is a symbol of peace, but also fea-tures in Christian imagery, which could prove useful in wooing the former Christian Democrats, to whom he has always been close, A safe but unexciting chrice was the ver-

dict of image consultants. Choosing a party logo is difficult, but vital in a country crowded with parties. Fourteen parties competed in last March's elections, bearing a bouquet of borticultural images: they included the

Andrew Hill in Milan reports. on a new burst of symbolism among politicians

"lucky" four-leaved clover of the centrist Democratic Alliance (it was notably unlucky for the party, which reaped few votes) to the rose of the Socialists, unsuccessfully trying to revive an image which wilted under the leadership of Mr Bettino Craxi.

Italian political symbols are also a miniaturised guide to the parties' complex recent history of name and policy changes, and a rallying point for traditional supporters. For example, the oak domi-

nates the PDS logo, but at its foot sits a tiny hammer-andsickle flag. The neo-fascist MSI may have been absorbed into the National Alliance at a congress last month, but the party's identity is still founded on the MSTs logo, a shrunken tricolour flame. The Northern League changed its name at League-Federal Italy to garner

more support nationally. But it is sure to stick with the image of a Lombard knight with raised sword, which should come as a relief to those League faithful who anjoy dressing up in chain mail and clanking off to party rallies.

The great image-maker of Italy's Second Republic is Mr Silvio Berlusconi, who outdid everybody last year when he called his political party Forza Italia (Go ltaly!). His inspired choice of a simple but arresting corporate image helped win the election and brought him the accolade "International Marketing Superstar

from a US trade magazine.

Prof Prodi is not in the running for this title. The vehicle for his centre-left movement is tha ploddingly named Comitato Per L'Italia Che Vogliamo (Committee for the Italy We

That said, as Mr Berlusconi has discovered, there is a little more to Italian politics than image and he will face a tough fight in the election if Prof Prodi gains support. The exprime minister'a main weapon may be his campaign experience and, in this respect, Prof Prodi is more like the best known product of his olive tree symbol; pure and extra-virgin.

Revamp of Libération newspaper fails

A few months after a radical redesign at Liberation, the left-leaning French daily newspaper, the air of expectancy

The newspaper said yesterday that it was launching a rigorous cost-cutting plan and reversing key elements of its re-design, including a doubling in the number of pages. On Monday Mr Jean-Louis Peninou, the managing director and one of the architects of the newlook Liberation, announced his

The implications extend beyond the newspaper's modernist headquarters.

per industry, such as Le Monde, have also launched new designs aimed at turning the tide of declining revenues and advertising receipts. Analysts say it too early to gauge the effects of Le Monde's January relaunch. But the failure of Liberation to free itself from the problems of the newspaper industry demonstrates the struggle faced by the French press in reversing a trend of

declining sales and revenues. The problems at Libération reflect disenchantment with the redesign. which was aimed at curbing losses of FFr70m (\$13.2m) last year and reviving stagnant sales of about 170,000 copies a

day. "The new formula has not been very well received by the traditional readership," said Mr Serge July, the editor, in a letter to staff, Media analysts said there was no single reason for the disappointing reception, hut blamed competition for readers and said the new layout was sometimes confusing.

Libération has also suffered from more general problems facing the French press, in particular a shortage of capital and higher costs, partly reflecting an increase in paper prices. The newspaper says that its circulation has grown from last year and has made significant progress outside Paris. But the increase is inadequate to stem 1993 and draw new capital. "We were losing about FFr2m per month with the old formula, now we are losing between five and seven times that amount," said a company official.

In response, Libération is tightening its belt. About 90 jobs are to go, including about 70 part-time or temporary positions. At the same time the newspa per will scale back the ambitions of its design. Instead of the 70 or 80 pages to which readers have become accustomed since last September, it will now weigh in at about 60 pages. The newspaper is planning to raise its price from FFr6 (\$1.10) to FFr7 from April.

UN keeps the peace but also the divide

By John Barham in Nicosia

here is probably no better monument to the 31 years of the United s in Cyprus in 180km buffer zone dividing Greek-Cypriots from Turkish

Cypriots.
In the countryside it is little more than a rusty barbed wire fence or a farm track. In the capital Nicosia, the world's only divided city, it is a fearsome complex of earthworks, trenches and watchtowers manned by troops 24 hours a

the UN delineated the zone to separate the two communities and their opposing forces following the August 1974 Turkish invasion of Cyprus. The buffer zone, sometimes as wide as 7km or as narrow as a few metres, is like a time cap-

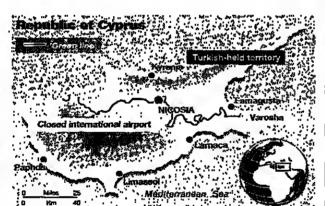
It contains Nicosia International Airport, with its decaying terminals, and the seasid resort of Varosha, a ghost town since its mainly Greek-Cypriot population of 30,000 fled in 1974. In the suburbs of Nicosia graceful villas stand empty. their gardens overrun by wild

vegetation.

Depending on one's viewpoint, the UN's meticulous policing of the buffer zone is a rare example of successful peacekeeping. It has prevented a resumption of civil war that began in 1963. The last serious clash took place two years ago when Turkish forces shot dead a Greek-Cypriot soldier.

However, an increasingly fashionable opinion is that the UN-sanctioned partitioning of Cyprus has further widened the gulf between the two communities. The post-1974 generation of Greek- and Turkish-Cypriots know little about each other, making a lasting solution all the more elusive. Even UN officials agree in private that the division line has become a barrier to progress.

Cyprus is again featuring on the international agenda. The European Union is negotiating a settlement plan in which Greece would lift its veto over



and Turkey. In exchange, Brussels would set a date for beginning talks over EU membership for Cyprus. As part of the deal, Turkey would encourage the Turkish-Cypriots to accept a formula allowing the island's eunification.

Yet there is no sign of relaxation in the buffer zone. If anything, UN officials say, tension is rising. One UN peacekeeping officer said: "Both sides are rearming at quite an alarming rate, probably to get a better egotiating position."

most militarised places on earth. About 43,000 Turkish and Greek troops are stationed on the island, backed up by billions of dollars-worth of armour, aircraft and artillery. UN officials fear conflict

could easily break out again. The UN officer says his main job is to prevent minor incidents, like exchanges of insults between soldiers, from escalating into exchanges of fire and troop movements.

The UN has accepted a role closer to the theatre of tha absurd than peacekeeping to maintain this uneasy status quo. Each morning UN soldiers must count every single sandbag and gun emplacement along the Green Line. Reinforcement is forbidden. The UN officer said: "If one single sandbag has been added or an extra brick placed on a wall I have to go out and negotiate with the

offending side to remove it." The zone's boundaries have never been precisely demar-

cated. The Greeks refuse to negotiate with the Turkish-Cypriots' "illegitimate" government and consider the Turkish army an invasion force. The Turks treat the zone as an international frontier. As a result, apparently trivial disputes over territory could lead

to fighting. Even the UN becomes involved in these squabbles. Outside Nicosia stands Maria's House, a former brothel. Today it is surrounded by a fence, with a Turkish flagpole Cyprus is already one of the planted beside it. The UN says Maria's House is part of the zone. The Turks claim

Maria's House is theirs. The UN and the Turkisb army reached a compromise after arduous negotiations. The Turks agreed to withdraw, but only after fencing off the environs of Maria's House to the UN and winning permission to enter the fenced-off area twice a year to replace their flag. Undaunted, the UN has

drawn up a package of confi-dence-building measures allowing some movement between the two sides. Varosha would become a free trade zone. Nicosia airport would be reopened for use by both sides. These measures would alleviate an international trade embargo on the Turkish north Cyprus.

Frustratingly, there has been very little progress on imple-menting these measures. There is no such thing as a unilateral concession on Cyprus. Every action must have its corre sponding quid pro quo.

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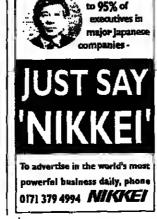
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Sell-offs gain Zedillo offers olive branch to Zapatistas support in Washington

By George Graham in Washington

Budget hawks and government efficiency advocates are joining hands to give new life to the theme of privatisation in Washington.

Both the Clinton administration and the new Republican majority in Congress are showing greater enthusiasm for privatisation, as the interests of those who want to find ways of cutting the federal budget converge with those who want to "reinvent government" to make it function more effec-

The new mood has brought a variety of government activities, ranging from air traffic control to electricity generation, into the spotlight as possible candidates for spinning off into the private sector, or at least into some form of corporate status in which they could finance themselves by charg-ing fees to the groups that use

Mr Federico Peña, transportation secretary, went to Capi-tol Hill yesterday to argue the case for converting the US air traffic control system into a government corporation, which could tap the capital markets to finance the long-delayed modernisation of its

systems.
"Our proposal would establish a wholly owned, not-forprofit government corporation, freed from the federal budget, personnel and procurement systems. It would be financed hy usera and bave the ability to finance capital pro-

ration," Mr Pena told a congressional transportation com-

trol system by charging user fees to airlines would, according to some congressional estimates, save around \$1.5bm a year from govarnment

User fees are gaining prominence as an idea for financing other regulatory agencies. The budget presented last week by President Bill Clinton contains proposals for charging a 10 cent fee on futures and options transactions to finance the Commodity Futures Trading Commission, as well as an overhaul of the Securities and Exchange Commission's fee structure which would leave it

largely self-financed.
But one of the toughest fights in Congress may come over plans to sell off four government electrical power administrations, which privatisation advocates have long targeted as being glaringly out of place in the government

The Clinton budget proposes the sale of the Alaska, Southeastern, South-western and Western power marketing administrations over the next three years to raise a net total of \$3.7bn. But the administrations, which provide cheap electricity to consumera in their regions, are hugely popular with the voters. In the western states, in particular, any attempt to tamper with the power administrations quickly becomes a campaign issue.

By Leslie Crawford in Mexico City

President Ernesto Zedillo of Mexico yesterday ordered a halt to the military offensive against peasant guerrillas in Chiapas, saying he was still willing to seek a peaceful negotiated settlement to the year-long uprising in the impoverished southern state. The president's clive branch to the Zapatista National Liberation Army

follows a six-day military offensive in

which the Mexican army recaptured

most of the towns held by the Zapa-tista rebels during their 13-month

The Zapatistas have retreated deep into the Lacandon jungle near the Guatemalan border, from where they have pledged to continue fighting.

Mr Zedillo said his government was

still open to finding a peaceful resolu-tion to the conflict. He offered an amnesty to Zapatistas who renounced armed struggle and promised greater resources to bring "housing, drinking

water, roads and electricity" to the state's indigenous communities. "The Mexican army will not under-

take any offensive action; it will only conduct patrols to prevent acts of violence," he said. The prospect of a protracted guer-

rilla war had begun to worry the president, who ordered the military operation in Chianas and the arrest of the Zapatista leadership following the discovery of arms caches in Mexico. City and the state of Vera Cruz.

Government officials say the purpose of the military operation was to re-establish the government's presence in tearitory "liberated" by the Zapatistas, in order to strengthen Mr Zedillo's hand in negotiations to end

the conflict They admit that the chances of capturing Subcomandante Marcos, the guerrilla's charismatic military leader, are slim.

In a further move to appease the Zapatistas, the controversial governor

leave of absence from his post yester. day - tantamount to an offer of resig-

Mr Eduardo Robledo Rincon, a member of the ruling Institutional Revolutionary party (PRI), had taken office only 68 days ago following elec-tions which the opposition claims were marred by fraud. Both the Zapa-tistss and the left-wing Revolutionary Democratic party (PRD) had

Abortion issue no safe bet for US right

Jurek Martin reports on a political two-edged sword

A t least seven out of 10 Americans, according to opinion polls, subscribe to President Bill Clinton's belief that abortion should be "safe, legal and rare". But 22 years after the Supreme Court asserted a woman's constitutional right to reproductive choice, no subject returns to haunt US politics with such force and fre-

Mr Clinton himself has been feeling the heat over his nomination as US surgeon-general of Dr Henry Foster, a gynaecologist from Nashville with a widely admired record of public service, but who has, in a long career, performed a num-ber of abortions.

The Republican party too was reminded over the weekend that opposition to abortion remains a litmus test of political acceptability for many conservative activists. Mr Ralph Reed, head of the Christian Coalition, warned prospective presidential candidates that they had better subscribe to the sanctity of innocent human life" or expect vehement opposition.

Clinton's problems over the Foster nomination were self-in-flicted by his staff who failed to anticipate that questions were certain to be asked over the number of abortions Dr Foster had performed. The succession of answers - first one, then about a dozen, in the end 39 - found the nomination entangled in a bizarre and defensive numbers game. Conventional Washington

wisdom has it that Mr Clinton needs this embarrassment like hole in the head, especially after his approval ratings had started to rise again. However, the counter-attack, first launched by a handful of

Democratic congresswomen and quickly picked up by Mr Mike McCurry, the confident new White House press secretary, may yet shift the ground under public opinion, even if it does not save the nomination. For the new line is that Dr Foster is the victim of unreasonable attack by the right-wing "extremists" now running the Republican party. Whether by accident or design, Mr Reed's remarks to

the Conservative Political

ton have proved useful ammunition to the administration. some of whose members have been itching for a winnable fight against the right since the mid-term elections last

Mr Reed'a message also came as something of a surprise. Until recently he had said his movement's fundamental goals which include a constitutional amendment to ban abortion - could be temporarily subordinated to support for the secular Republican Contract with America and to the election of a Republican president

But over the weekend he emed more intent on telling pro-choice Republicans they were not welcome on board the party's 1996 campaign bus. His clear targets included three governors who could well adorn the ticket next year – Pete Wilson of California, Christine Todd Whitman of New Jersey and Bill Weld of Massachusetts. They have all said the party platform next year should not be saddled with strong pro-life language, as it was, to no good effect, in

Senator Robert Dole, the majority leader and probable current front runner for the nomination, opposes abortion, but not to the point of making it illegal. He frequently speaks of broadening the base of the party, not narrowing it by the adoption of exclusive or confrontational policies.

But he finished a distant second in an informal straw poll of delegates to the conservative conference. Far in front of him was Senator Phil Gramm of Texas, with 40 per cent, while Mr Dole, at just over 12 per cent, was only fractionally ahead of Mr Pat Buchanan.

Former vice president Dan Quayle would doubtless have scored well had he not pulled out of the race a few days before. Indeed the bluntness of Mr Reed's warnings to remain-ing prospective candidates may well reflect disappointment at the disappearance of a man as popular with the religious right as Mr Quayle.

Mr Gramm, otherwise a dogmatic conservative, has also said that Republicans would be better advised not to dwell on abortion in the approaching chanan, left, and Foster: more than a nom

[anti-abortion] plank out of the

tion of his allegiance was gleaned in a Washington Post report that the Republican Senate campaign committee which he chaired gave \$175,000 to the national right-to-life movement just before the elections last At least Mr Buchanan,

whose "cultural wars" speech to the Republican convention in 1992 was ao divisive and who could run again as a Republican or as an independent next year, never equivo-cates. He told the conference:

platform will have to answer to Pat Buchanan.

Amid all the super-heated rhetoric, the fact remains that abortion normally disappears from the charts as a single issue determining the votes of many people in presidential elections. But it can be a much bigger factor in determining who gets to run for president -and who gets appointed to government. Dr Foster may never be surgeon-general, but his opponents might find their vic-



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you

and me. Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back

the things that others have taken away.



United Nations High Commissioner for Refugees

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an

open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information P.O. Box 2500 1211 Geneva 2, Switzerland

Election blow for Quebec secession

By Robert Gibbens in Montreel and Bernard Simon in Toronto

Canada'a roling Liberal party has won a vital Quebec by-election, pointing to an uphill struggle for secessionist forces ahead of the province's planned referendum on inde-The Liberal candidate, Mr

Denis Paradis, defeated his pro-sovereignty Bloc Québecois rival m rural Brome-Mi south-east of Montreal, by a comfortable 2,500-vote margin. The result reinforces opinion polls which indicate that most Quebeckers want to remain part of Canada. The Bloc

sought to play down its sover-eigniy agenda in tha byelec-tion, but the Liberals tried to turn the poll into a mini-referendum on independence.

Despite its defeat, the Bloc remains the official opposition in the House of Commons in Ottawa. But with 52 MPs, it is now only one seat ahead of the right-of-centre Reform party, based in western Canada. Mr Jean Chrétien, Canada's Liberal prime minister, said that the Brome victory indicates "tha federalist forces are poised to win the coming Que-bec referendum on sover-eignty. The Quebec people will

say no to separation". In two other Quebec by-elec-tions, also held on Monday, the Liberals retained seats which they have held for many years. Mr Jacques Parizeau, Que-bec's separatist premier, has promised a sovereignty referendum early this summer or in September. Eighteen govern-ment-appointed commissions are currently roving the prov-ince in a bid to drum up sup-port for a split from Canada. But the commissions, which will continue work until early March, have so far had mixed

They have captured wide media attention, especially in rural Quebec where support for sovereignty is strongest. But the message coming from the hearings has been diffuse, with many witnesses prefer-ring to talk about local or spe-cial-interest issues, rather than AMERICAN NEWS DIGEST

US employers' health costs fall

US employers' healthcare costs fell last year, indicating that greater use of cost-efficient "managed care" schemes is bringing inflation in the medical sector under control. Average bealth costs for companies with 10 or more workers fell 1.1 per cent to \$3,741 per employee, a survey by Foster Higgins, a New York consultancy, found. This followed an 8 per cent increase in 1993 and double digit increases in previous years. Costs fell because the proportion of employers using health maintenance organisations (HMOs) and other, looser forms of managed care rose sharply last year to 63 per cent from 52 per cent in 1998, Managed care differs from the traditional "fee for service". insurance schemes because the managing agents supervise the decisions of doctors and hospitals contracted with them, allowing them to control costs while maintaining quality. HMOs doctors and stress primary and preventive care. Companies with more than 500 employees reduced health costs by 1.9 per cent last year. But smaller companies, which tend to make less use of managed care, saw costs rise 6.5 per cent. Michael Prouse, Washington

Retail sales edge up in US

US retail sales rose 0.2 per cent in January, the Commerce Department reported yesterday, while December's increase was revised upwards to 0.2 per cent from minus 0.1. Last month's rise was slightly lower than Wall Street economists had predicted, suggesting that the Federal Reserve's year-long monetary tightening had begun to bear fruit, economists said. "This ought to be comforting to the Fed because we're not seeing consumer spending accelerate once again," said Mr Dan Seto, an economist at Nikko Securities. "It'a an improvement but it's not like consumers are rushing back to the stores." Weak sales in apparel and eating and drinking were offset by stronger-than-expected sales of petrol, general merchandise and foods. Reuter, Washington

Peru. Ecuador ceasefire starts

A ceasefire declared by Peru in its border conflict with Ecua-A ceaseure declared by Peru in its border conflict with Ecuador want into effect at noon yesterday, after 19 days of fighting. President Alberto Fujimori, announcing the unilateral ceasefire on Monday night, said Peru's armed forces had succeeded in dislodging Ecuadorean troops from within national territory. Ecuador accepted the ceasefire but disputed Mr Fujimori's claimed territorial gain. Ecuador maintains that the disputed bases known as Tisrings. Charge de Troops Mr Fujimon's claimed territorial gain. Ecuador maintains unathe disputed bases known as Tiwinza, Cueva de Tayos, Base Sur and Coangos are still under their control and yesterday invited journalists, representatives of human rights organisations and international observers to verify the claim. Solly

Haiti plans sweeping sell-offs

The International Finance Corporation, the World Bank's private sector arm, is to advise the Haitian government on the privatisation of nine state-owned enterprises in an arrangment to "democratise" public assets. Haiti will sell off its power and telecommunications companies, port, airport, two banks, a cement company and two agri-businesses, allowing foreign investors to take majority shares. The IFC has yet to determine the structure of each sale, but it has been agreed that part of the revenues raised will be used to improve schools hosnitals and roads. The government is expected to schools, hospitals and roads. The government is expected to hold minority stakes in each privatised company and plans to set aside shares for victims of the ousted military regime. Nancy Dunne, Washington



in Balkar

Idenm grows sa standards

Zapatista

Proposals for a much-needed new crossing of the River Dan-ube between Bulgaria and Romania, to reduce long delays for lorries avoiding Yugoslavia, will be submitted this month to the EU, and Bulgarian and Romanian governments.

Congestion has increased as traffic has been forced to find alternative routes to once heavily used road links through Yugoslavia, connecting western Europe with-Greek, Turkish and Middle Eastern markets.

At least 1.5m tonnes of freight, equivalent to 60,000 lorry-loads a year, are estimated to have been diverted through northern Adriatic ports alone since fighting there began. A lack of adequate crossing

points and border facilities on the Danube, which runs along the Bulgarian-Romanian border. however, has inhibited alternative road routes through the Balkans.

In a bid to improve trade links, the EU has financed a study of four potential locations for a road or road and rail crossing, most likely to be a bridge. Construction costs range from Ecu150m-Ecu400m (\$184m-\$492m) depending on what solution is chosen.

Private investors would be expected to provide much of the finance for a toll-bridge. although the EU might be prepared to provide some seed

both rich

and poor

The 18 members of the

Asia-Pacific Economic Co-operation Forum will

tomorrow start twin-track

talks on free trade measures

and economic belp for

poorer members of the bloc. The double approach was

agreed yesterday at a meet-

ing of senior Apec officials

It is the group's first step

towards trying to put detail into a vague plan to liberal

ise trade and investment in

the region, accounting for

roughly half of world trade,

by 2020. Japan, current

Apec chairman, proposed the twin-track talks in an

attempt to bridge the differ

ent aspirations of the US

and developing Asian coun-

The US is keen to press

ahead on free trade, to gain

access to fast growing Asian

markets and to improve the

bloc's negotiating clout;

while Asian members such as Malaysia and China see

it as a loose economic

co-operation forum and are fearful of US economic domication. William Dawkins,

Telecom groups

Thirty-seven telecommuni-

cations and information

technology companies from Europe, North America and

Asia said yesterday they

had formed a consortium to develop global standards for

The Telecommunications

luformation Networking Architecture Consortium

(TINA-C) seeks to "develop

an architecture that will

enable the efficient intro-

duction and management of telecommunications ser-

vices on a worldwide basis."

the consortium said. TIN-

A-C includes companies

such as AT&T, IBM and Bellcore of the US, Japan's

Fujitsu, Hitachi and NEC,

and Europe's British Tele-

com, Alcatel, Deutsche Tele-

com and Telecom Italia.

■ World airlines will post their first profit in five

years after reporting

healthy gains in passenger

and freight traffic for 1994,

the International Air Trans-

port Association said yester-

day. Most of the growth was in the Asia Pacific region.

A contract worth

FFr2.5hn (\$475m)to build a

rail link between Sydney

and Kingsford Smith Air-

port has been awarded to a

joint venture between Bouy-

gues, the large French con-

struction group, and Trans-field, an Australian construction company.

AFP Tokyo

telecoms software.

set standards

in Fukuoka, Japan.



corn finance to assist the project through its Phare programme, which channels aid to eastern and central European

Interest in a privately financed crossing between Bul-garia and Romania previously has been expressed by Mitsubishi of Japan as well as Turkish, Austrian and South African contractors, according to Bulgarian officials.

The latest study, conducted by Sir Alexander Gibb & Part-ners, the British consulting engineers, will consider financing options as well as developing traffic forecasts and the cost of providing additional road and rail links to connect to a new crossing.

Mr Brian Brent, Gibb director heading the project, said: "Currently there is only one by the end of the century.

road bridge crossing the Dan-ube, between Ruse in Bulgaria and Giurgiu in Romania. There is also a ferry between Vidin and Calafat. A second ferry crossing was started between Oryakhovo and Bechet last

Even so, there can be delays of up to several days at some

The four locations being considered by Gibb are between Vidin and Calafat; Lom and Rastu; Oryakhovo and Bechet; and a stretch of river, the so-called Corabia corridor, between Zagrazden and Nikopol in Bulgaria and Corabia and Turnu Magurel in Romania.

Construction would take about three years, enabling a new crossing to be completed

New Danube crossing | Seeking to aim aid at competitiveness

Caroline Southey on moves to revamp the EU's development and trade assistance

Lomé: the EU-ACP partnership

The four conventions are successive development aid

and trade agreements between the EU countries (15) and

The first three lested for five-year periods; the current

Lome IV is a 10-year agreement (1990-2000), with a mid-

The economic and social development aid programmes

from EU member states tabove direct contributions to the

All ACP inclustrial products have access to the Staffee.

of duty and quotas, including textiles but excluding runs.

Most ACP agricultural products also enter free of duty.

but those that compete with EU products covered by the

Common Agricultural Policy are subject to tartif and/or

are financed by the European Development Fund, the world's biggest aid programs, made up of contributions

the ACP nations: African (47); Caribbean (15) and Pacific (5)

The conventions

term review this year . .

subject to rules of origin

aid instruments in a concerted

and planned way to help increase the ACP's productiv-

ity and their effectiveness and

competitivity in terms of

The objectives of the Lomé Convention would be more

closely allied with World Bank

Macro-economic targets

would include technical assis-tance to establish currencies

that were not overvalued and

encourage the participation of

the private sector as well as

of the private sector in ACP

countries. Most have become

pledges run out. Among the

beneficiaries of the fund are 40

of the world's poorest countries, part of the 70-member

group of African, Caribbean

and Pacific (ACP) nations

which enjoy preferential trade

Although official explana-

tions of the cut include the claim that bilateral aid is more

efficient, ministers from the

ALESSIO FALINO

terms under the convention.

There is very little tradition

trade."

aid objectives.

inward investment.

I Inder the Lome Con-Union provides the most generous preferential access to markets offered anywhere. It is the world's biggest single aid programme. And its days are numbered.

in Brussels a comprehensive re-appraisal of the 20-year-old convention - an aid and trade package for the sub-Saharan African, Caribbean and Pacific (ACP) countries first signed in Lomé, Togo in February 1975 is due to take place once a midterm review of the current agreement has been completed. There is growing awareness among Commission policy makers and ACP member countries that the historical level of aid, to which the EU has committed Ecul2bn (\$14.8bn) through the European Development Fund for 1990-95, cannot be sustained and that, after the Uruguay Round, preferential trade arrangements

are a thing of the past. Bruising rows between the EU and ACP countries and between EU member states during the nine-month-long midterm review of Lome IV have thrown into stark relief the difficulties the convention faces beyond the year 2000.

The mid-term review, due to be completed by the end of this month, marks a turning point. Policy makers, led by Mr João de Deus Pinheiro, the new EU commissioner for the ACP countries, are beginning to develop a strategy driven by one primary objective - an improvement in the competitiveness of the ACP countries. "The idea," says Mr Peter Pooley, the Commission's deputy director general for develsystems. With technical assistance these can be converted to opment, "is to integrate aid and trade better and use the the private sector which will do the work for nothing." Mr

> At a micro-economic level, programmes would be aimed at specific export sectors to improve design, market research, transport and insur-

"Instead of doing little bits of dispersed activity the idea is that we work on the basis of having a plan for the whole chain," Mr Pooley says.

A further change, signalled in the mid-term review, is that the EU will begin pressing harder for ACP countries to take note of donor priorities when applying for disbursements. Among the areas identified as needing particular

eastern Europe, Russia and the

Britain intends to "make a sizeable reduction" in its con-

tribution to the EDF, Baroness

Chalker, overseas development

minister, said yesterday, while

officials in Bonn also warned

European Union was rising

Britain and Germany to cut ACP aid

Mediterranean.

of cuts.

sion officials believe are central to the economic development of ACP countries.

1985-90 Source: Furn

EU's Lomé commitment (Ecu bn)

includes loans by the European Investment

Time was when we said. there's your aid money, tell us what you want to do with it. That should no longer be the case," says a senior Commission official.

The issue is sensitive. ACP countries have resisted what they see as EU efforts to dictate aid policy. But Mr Ghebray Berhane, secretarygeneral of the ACP, agrees there is a need to change the way in which money is spent. The aid should not be used whimsically. There should be proper implementation of projects and greater efficiency."

This realism in an indication of the ACP countries' commit-

acceptable," she said. The Brit-

ish allocation to EDF will be at

the expense of the bilateral programme, "yet it is the bilat-eral programme that is doing

Britain also had to contrib-

ute to the repleaishment of the

International Development

more we do on EDF, the less

very well indeed".

sion, to retain the multilateral arrangement. Both sides point to the advantages of co-ordinating aid policies.

"There are a number of projects for which co-operation is extremely important and which cannot be left to one country or to one region." argues Mr Berhane. He cites as examples the battle against desertification and against

ACP countries argue that the EU must put its mooey where Its mouth is if it wants the new policles to work.

They cannot expect us to do more but commit less money. says Mr Berhane. "Investment in the ACPs is crucial if they want us to compete on the same footing," be says, noting that EU member states are investing heavily in Latin America and Asia.

For its part the Commission is fighting a rearguard action to protect levels of aid. "Development aid is not popular, particularly with long jobless queues at home. Added to this is the unpopularity of the Commission in some member countries. Some hold the view that any money given to us is probably wasted as effectively as it you had given it to a dictator." a senior Commission official

What the Lome Convention will look like in the next century remains unclear. "We are seeing the end of a special relationship. Not by choice, not because we want it, but because if we want to retain it In some form we will have to do something about it." says Mr Berhane.

In Germany, which contrib utes 26 per cent of the EDF's Ecul0.8bn (\$13.28bn), Mr Theo

Waigel, finance minister,

wants to cut contributions by

30 per cent, while the foreign

ministry wants a 5-6 per cent

However, an official said It

was unlikely that Mr Waigel would get his way as Bonn did

not want to upset the French,

reduction.

Steady advance WORLD TRADE **NEWS DIGEST** in car sales in Apec bid to please western Europe

By Kevin Done, Motor Industry Correspondent

West European new car sales increased year-on-year by 3.7 per cent in January to 1.085m continuing the modest recovery begun last year.

Sales were higher than a year ago in 11 of 17 markets across west Europe led by strong demand in France and Scandinavia and increasing signs of recovery in Italy.

New cars sales in west Europe rose by 5.9 per cent last year to 11.9m, but demand still remains well below the record level achieved in the four years from 1989 to 1992 of around 13.45m

The pace of recovery has been slowed by weakening demand in the UK, where new car registrations fell last month by 3.7 per cent year-on-year to 191,000, the fourth successive monthly decline.

The recent recovery in new car demand in Germany, the biggest single market in west Burope, was also halted in January with sales falling by an estimated 1.7 per cent to 245,000.

In France new car sales rose by 21 per cent year-on-year in January to 156,000 from 129,200 a year ago, which was the final month before the French government introduced financial incentives to encourage the scrapping of old cars.

In Italy new car registrations rose last month by 7.7 per cent confirming the rising trend of demand established since

TOTAL MARKET

MANUFACTURERS:

Volkswagen group - Volkswagen

General Motores

- Opel/Vauxhali

- Saab**

- Jaguar PSA Peugeot Citroën - Peugeot - Citroën Renault

Ford groups - Ford

- Jaguar

Rover

Niesan Toyota

Volvo Mazda Honda Misubishi

Suzuld Total Japanese

MARKETS

italy United Kingdom

- Audi

Skoda* - SKOGE*
Flat group##
- Flat
- Lancia
- Alfa Romeo

WEST EUROPEAN NEW CAR REGISTRATIONS

January 1995

104,800 25,500 19,400 4,600 141,100 108,300 17,500 12,500 139,000 133,250 4,700 138,500 137,100

74,700 55,900 116,700 99,000 36,400 32,700 37,500 31,300 25,900 19,600 15,300 9,900 6,800 110,800

205,000 191,200

Leading carmakers are foreincrease in new car sales in west Europe this year of 3 to 4 per cent to around 12.2m.

Fiat of Italy, which includes the Lancia and Alfa Romeo brands, Ford and Renault all gained ground strongly in Jan-

The Fiat group moved into second place in the market narrowly ahead of General Motors of the US (Opel in continental Europe and Vauxhall in the UK). The Italian car-maker increased its registrations by 12.4 per cent to

It raised its market share to year ago helped by the recovnew car sales in January.

Ford of the US raised its car sales across Europe by 10.7 per cent helped hy a very strong performance in Germany, where it claimed more than 12 per cent of the market compared with only 8 per cent a уеаг аго.

15.6 per cent a year ago.

Volume Share (%) Share (%) Change (%) January 95 January 94

+3.9 -9.5 +14.8 +12.4 +12.7 +14.4 +10.7 +11.4 +10.7 +12.5 +4.8 +3.3 +14.2 -10.5 -14.6 -21.0 +7.1 +12.1 +13.3 +4.8 -2.1 +13.3 +4.8 -2.1 -2.

+7.7 -3.7 +20.7

15.6 10.9 2.3 2.0 0.4 12.0 8.2 1.5 1.0

ministers meeting in Brussels today to review the Lomé Convention discuss how much to pledge to the European Development Fund. Yesterday Britain and Germany made clear they would reduce their contributions

By Michael Holman in London

European Union aid to

developing countries faces its

first cut in real terms when

and Judy Dempsey in Bonn

Round 9

13 per cent from 12 per cent a ery in the Italian market, where the Fiat group accounted for 47 per cent of all

The Volkswagen group of Germany, the leader of the west European car market and which includes Andi, Seat and Skoda, suffered the higgest setback among the leading volume carmakers with an esti-mated decline in its sales of 5.7 per cent to 154,000. Its market share fell to 142 per cent from

from 1998, when existing **US-China** talks go into

By Tony Walker in Beijing

Chinese and American trade negotiators today return to the bargaining table for last-ditch talks aimed at heading off a trade war over copyright viola-tions. This will be the ninth round since last June. China yesterday called on the US to "demonstrate flexi-

bility". Washington has said it will impose sanctions on \$1.08m worth of Chinese imports if there is no agreement by February 26. China has threatened

retaliation. Mr Mickey Kantor, the US trade representative, said on Monday that China must play by the rules. "We are fighting for US workers and will stand up for our country and our products," he said.

The US says Chinese coun-terfelting of entertainment and information products is costing US industry \$1bn a year in lost revenue.

China has also staked out a tough position, warning that it would not yield to US pressure. US sanctions have targeted imports of plastics, toys, sporting goods, and answerphones among 35 categories. China has said it will impose higher tariffs on US cigarettes, alcohol and cosmetics. It would also freeze negotiations with US car makers on new car projects. US negotiators are pressing China to strengthen enforcement against widespread piracy of such items as laser and compact discs, video games, films, books and magazines, and computer software.

The Americans are also demanding improved access to the China market for information and entertainment products, arguing greater availability of these items would provide the Chinese with a legitimate alternative to pirated copies.

Beijing objects to US attempts to link market access with stricter enforcement. It says that access should be dealt with through specific bilateral negotiations.

Western officials and husiness representatives in Beijing expect the dispute to be resolved in a last-minute compromise. But this trade row has appeared more than usu-

from about 24 per cent of total ACP believe the reduction we do on IDA, yet IDA will who are committed to increase budget to around 40 per cent in three years. "I don't find this Japan and the United States." reflects changing aid priorities, with competing claims from ing their EDF contribution by 20 per cent.

INSTITUTE OF INVESTMENT MANAGEMENT AND RESEARCH

Lady Chalker said British Association (IDA), the soft loan aid disbursed through the arm of the World Bank. "The

EXAMINATION RESULTS & PRIZE WINNERS

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J E T Bowen Sun Allianse Investment Management
J E T Bowen Neuron Investment Management
M M Brooks Stewart howy & Co
G Callahan Bailtie Gifford & Co
R E O Chalk United Friendly Insurance
A Cafford Legal & General Investment
M Cobb Bailtie Gifford & Co
C P Corr United Friendly Insurance
R G Davidson Margan Stanley International
P G Davies Mercury Asset Management
R J Delin-Ports Henderson Touche Rennant Fund Mgt
P J Edwardson Bailtie Gifford & Co
F Corr Released Rennant Fund Mgt
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C E P De Bornam Rothschild Asset Management
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C Egao Allied Irish Bank
M Embley Singer & Friedlander Investment Management
S E Fernando Lloyds Investment Management
S E Fernando Lloyds Investment Management
C M Gallagher ACF International Advisors
G E French M & G Investment Management
C M Gallagher KPMG Stokes Remedy Crowley
A V GII AlG Investment Corporation (Ireland)
J E J Gledhill M & G C Crowp
S R Gran Scottisk Amicable Investment Management
J C Runeocks Coincas Flight Global Asset Management
N M Harriss Mercury Asset Management
N M Harriss Midland Personal Asset Management
C R Hawney Postel Investment Management
D W Hemmann Gainess Flight Global Asset Management
S L Hill Robert Flewing & Co
C J Hoare Confederation Life
V Hoyatox Gobal Asset Management
I C A Isase Credit Susse Financial Times
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THE FOLLOWING SUCCESSFULLY COMPLETED THEIR ASSOCIATE EXAMINATION

| | G O J Keltwick | Lehman Bros International |
|---|------------------|---|
| | A J Kingsley | Foreign & Colonial Management |
| | A D Koch | PDFM |
| | C C Lanchester | Schroder investment Management |
| | S P Licter | Scottich Equitable Life Assumes |
| | A favell | Scottish Equitable Life Assurance Schroder Investment Management |
| | A E Mardonald | MCL Clayton |
| | D T Machan | Lehman Brothers |
| | | PDFM |
| | C Malinday | CIN Management |
| | I C O Manuful | CAN Management |
| | J. P. C. Managan | Rothschild Asset Management |
| | | National Irish Bank |
| | G F Martin | |
| | J J McCay | Ediaburgh Fund Managers |
| | M McKelvey | Mercury Asset Management |
| | K F Muir | |
| | T J Orchard | S G Warburg Securities (Japan) Inc |
| | | Schroder Investment Management |
| | M J Owen | Flewing Investment Management |
| | P K Patel | Cartmore Investment Management |
| | N C H Purves | Schroder Investment Management |
| | F Remove | I aleman Pers |
| | N J G Reid | NatWest Investment Management |
| | M R J Rimmer | Cortaco I material Management |
| | C A Robertson | Scottish Equitable Life Assurance |
| | W I Dustell | Sun Alliance Investment Management |
| | M Sells | Lloyds Investment Managers |
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| | N C | Royal Insurance Asset Management |
| | TION | M & G Investment Management |
| | 1 J Sellors | |
| | A J Shard | Halifax Building Society |
| • | P J Sharkey | GRE Asset Management |
| | R J Shepley | Newton Investment Management |
| | J C Stewart | Prudential Portfolio Managers |
| | A G Stott | Kleimourt Bernon Securities |
| | P Taheri | Samoa International |
| | R S Temperley | Printe Store |
| | JCSC Thomas | CIN Management |
| | F D Tosh S | cottish Anticable Investment Managare |
| | K White | Refere Assessment C |
| | S P Woodbwell | Newton Investment Management |
| | R F Woodford | Foliadament E |
| | C D Wyllie | Foreign & Colonial Management |
| | | C. O commun management |
| _ | | |

50.00 4.5



rupt Japanese politics.

forting for the government. A

series of unanswered questions

focuses on the role of the

authorities in the banks' activi-

The first is how the financial

regulators allowed the banks

to build up such a large portfo-

lio of loans to one company, especially one run by the

bank's own president. The gov-

ernment's defence is that the

regulatory framework was, in fact, imperfect. Small institu-

tions like the two rescued are

regulated not by the Ministry

of Finance or the Bank of Japan, but by local govern-

institutions, the Tokyo Metro-

A former ministry official

ments, in the case of the

politan Government.

Japan loan scandal outcry grows louder

The drama embraces not only the usual cast but some august players, writes Gerard Baker

ben a bank lends a sum equivalent to more than 80 per cent of its total capital to a company to build a golf course. some people get suspicious. When it emerges that the president of that bank is also the president of the company building the course, suspicions begin to harden.

When it transpires that the same bank also allegedly lends large sums of money to close relatives of a former cabinet minister, the familiar outlines of a Japanese financial scandal start to materialise.

The story of how Mr Haru-nori Takahashi was able to

pull off this act, remarkable even by Japanese standards, is starting to emerge with the resignation yesterday of Mr Toshio Yamaguchi. It is a particularly all-embracing story of financial incompetence, including as it does, not only the usual cast of politicians from both opposition and governing parties, property developers, and bankers, but even some august players from the Bank of Japan and the Finance Ministry. It demonstrates that the political and financial detritus from the years of the so-called bubble economy in the late 1980s is still very visible.

When the Bank of Japan stepped in to rescue two small credit associations last December, it seemed like just another clean-up operation from those years of financial excess. The

ing **Y20hn** (\$202m) of its own money and was persuading private banks to put another Y20bn of theirs into a new company thet would take over the operations of Tokyo Kyowa and Anzen credit associations.

The scheme was designed to keep them afloat following the discovery of large numbers of non-performing loans on their balance books.

The two associations had lent heavily during the years of rising asset prices to proper ty-related companies, and fol-lowing the collapse of asset prices in the early 1990s, they, like many Japanese banks found themselves submerged

But the BoJ's decision was in fact more curious than it at first seemed. Only six weeks earlier, the outgoing governor of the bank, Mr Yasushi Mieno had declared in a valedictory speech that banks in Japan could no longer regard themselves as invulnerable to market forces.

If they got into trouble as s result of their own imprudence they could not expect to be rescued. Only if their failure represented a "systemic risk" could they expect support from the authorities. "It is not the business of the central bank to save all financial institutions from failure", he said.

But the two associations. with combined bad loans of just Y100bn, could hardly be said to have represented a sys-temic risk. Public criticisms of the rescue plan began to surface, most notably when Mr Ryutaro Hashimoto, minister for international trade and industry, said the bail-out was "dangerous precedent". In the last month, as details of the two associations' activities have leaked out, the public outcry has become shrill.

At the centre of the scandal is one of Japan's more colourful financiers. Mr Harunori

According to newspaper reports in Tokyo yesterday, EIE received a total of Y37.6hm in loans from the credit association. But it was not the only beneficiary of the bank's largesse. Other companies related to Mr Takahashi allegedly received billions more yen. his list of jobs a senior execu-

A financial institution is not permitted to lend more than 20 per cent of its total capital to one borrower. But with capital of about Y5bn, Tokyo Kyowa lent more than seven times its equity to EIE.

Takahashi, a youthful-looking 49-year-old, established a name for himself in the 1990s as a successful property developer. As president of a company called EIE International, he specialised in building golf courses and resorts around the world, including Australia and the US. But in a move that appears not to have raised suspicions in the febrile climate of the time, in 1985 he became

chairman of Tokyo Kyowa, a For several years following his new appointment, EIE became one of Tokyo Kyowa's

most valuabla customers.

resigned, saying he had never had personal interests in his relatives' companies but thought it necessary to save the new party embarrassment. Though the initial embar-rassment belonged principally

Soon Mr Takahashi added to tive's post at Anzen , which yesterday to the opposition, it also lent heavily to EIK.

Under Japanese banking law, a financial institution is not permitted to lend more than 20 per cent of its total capital to one borrower. But with capital of about Y5bn, Tokyo Kyowa lent more than seven times its equity to EIE, thirty-five times the legal maximum. Yesterday, it was alleged thet both Tokyo Kyowa and

lation. There is inconsistency Anzen had also lent similarly in the standards of bank superlarge sums of money to comp vision among the various regunies run by relatives of Mr latory authorities. Toshio Yamaguchi, the former Aside from the fact that Liberal Democratic party there are few obvious examples labour minister and until yesin recent history of the Japaterday, daputy secretary-general of the Naw Frontier nese financial system's being under-regulated, the scale of

party, a party committed to cleaning up the old-style cormost people find it inconceiv-Mr Yamaguchi promptly able the companies could have

got away without someone knowing about it. "You can't just hide loans equivalent to 30 times your capital base under the carpet," one analyst said yesterday.

A second mystery is why the suthorities moved to save the two institutions, so soon after the explicit warning by Mr Mieno. The explanation given by the government is that a real risk existed of financial chaos if the banks had been allowed to fail.

Mr Masyaoshi Takemura, the finance minister, said yesterday: "We had to maintain the stability of the financial system. With that it mind, the rescue was the only option."

These fears seem overdone. The failure of two small credit associations, known to have over-extended themselves in the boom years, would have been unlikely to set off a run on the whole banking sys which, as the BoJ is usually anxious to point out, has made great strides in ridding itself of its accumulated bad loans. As popular anger at the use

said yesterday: "The problem is essentially s failure of reguof public funds to bail out failed financial institutions grows, these questions are likely to be asked more insistently. If they are accompanied by more disclosures about Mr Takahashi's connections, they may prove damaging beyond repair. ASIA-PACIFIC NEWS DIGEST

Investment in Korea up 264%

Foreign direct investment in South Korea increased by 2843 per cent to \$102m (£66m) in January from a year ago, the Finance and Economy Ministry said yesterday. Japan was the biggest foreign contributor during the month with \$37m for nine projects, followed by the US with \$18m and the European Union with \$5m. During the same month last year, the US had Union with \$1m. During the same month last year, the US had led the list with £14m; Japan and the European Union invested \$5m each. The investment was concentrated on the service sector, which attracted \$66 in January. Foreign investment in the manufacturing sector amounted to just \$3m. South Korea's total foreign

Total External debt; \$50

debt stood at \$54.18bn at the end of November last year, hitting a 10-year high, the Finance and Economy Ministry and the central Bank of Korea (BOK) said yesterday. Total foreign debt represented a 23.4 per cent increase over s year ago, they said. After deducting its assets abroad, South Korea then had foreign debts of \$10.27bn. The net foreign debt was falling between 1985 and 1991, but it has been increasing over the past three years, the ministry said. BOK officials said the

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New surge in Page

Tomb 96 91 92 93 Seglec World Bank Segme West Bank debt situation was not yet causing concern although net foreign debt had increased from 2.4 per cent of gross national product in 1998 to 2.7 per cent in 1994. Financial institutions borrowed \$31bn abroad in 1994, companies \$19.6bn and the government \$3.6bn. AFP, Seoul

Steelmakers fill the Kobe gap

Japan's leading steelmakers are increasing output to help Kobe Steel, which suffered damage to its facilities in the January earthquake, to meet its obligations to customers. Nippon Steel said it was taking an emergency measure to increase output by 100,000 tonnes to about 6.8m tonnes in the February to March period. The company's decision came after a request by Kobe to its Japanese competitors. Sumitomo Metal Industries and Kawasaki Steel are also

increasing output by 60,000 to 70,000 tonnes and 40,000 to 50,000 tonnes respectively in order to fill the production gap created as a result of the damage done to Kobe Steel's facilities. Sumitomo itself suffered damage from the earthquake at two of the facilities is the facilities. of its facilities in the affected region. Among specialty steel makers, Daido Steel and Aichi Steel also said they would be increasing output of steel for the car industry to cope with the impact of the earthquake on Kobe Steel. Kobe Steel said on Monday that the damage to its facilities would amount to Y74bn (£484m). The company expects output at its Kobe facili-ties to return to normal levels by the second quarter of fiscal

However, the Japanese steel industry is bracing itself for increased demand for steel products as the region, devastated by the earthquake, begins to rebuild itself. While the increase in demand is likely to be spread over a number of years, steel used in construction is expected to start seeing strong demand later this year. Sumitomo Metal Industries estimates that the increase in demand, based on information available on the amount of damage done, is likely to be 3m tonnes over the next three years. Michigo Nakamoto, Tokyo

Machinery spending increases

Japanese companies increased spending on machinery in 1994. for the first time in four years, indicating an end in a record decline in industrial investment. Machinery orders grew by 2.7 per cent to Y10,934bn (£71hn) last year, the government's Economic Planning Agency announced. If this feeds through to a subsequent rise in overall industrial investment, as machinery orders have done in the past, this will restore a missing element to the fragile economic upturn. Industrial investment has continued to be weak despite the economy's gradual improvement early last year, a worrying contrast to Japan's previous corporate spending-led recoveries. Companies spent 8.7 per cent more on buying machines in

December than in the same month in 1993, the seventh month straight month of annualised rises. This excludes orders placed by shipbuilders and electric power utilities, so volatile as to obscure the trend. If those are added back in, machinery orders fell by 1.1 per cent tp Y13,365hn, for the third year running, William Dawkins, Tokyo

Holocaust jibe publisher resigns

The president of a leading Japanese publishing house amounced his resignation yesterday, following a public out-cry over a magazine article that denied the Holocaust and the existence of gas chambers in Auschwitz. Mr Kengo Tanaka, president of Bungei Shunju, a respected publisher, will step down from his current post to become chairman. The move follows the closure of Marco Polo, s monthly magazine which ran an article claiming that the Holocaust was fiction, drawing criticism from the international community.

Bungel Shunju officials said the resignation was aimed at restoring international and domestic confidence in the company. Mr Tanaka, who became president in 1988, turned Bungei Shunju from a sleepy publisher of literary books into a leading force in investigative journalism. A series of articles in the company's leading monthly in the 1970s, triggered the downfall of Mr Kakuei Tanaka, the charismatic prime minister, implicating him in the Lockheed scandal.

However, criticism surrounding Bungei Shunin's strategy of publishing controversial articles mounted following a recent series by one of its titles on the imperial family and on Japan Railway. Nissan Motor, the carmaker, recently announced a withdrawal of administration. withdrawal of advertisements from the company's publications following an article by a former employee on the failure of the company's international strategy. Emiko Terazono,

China's population put at 1.2bn

China's population today is expected to reach 1.2bn when one of a daily average of about 60,000 babies is born. This is not likely to be cause for celebration because it indicates that family planning programmes are faltering. China had not expected its population to exceed 1.2bn much before the end of this century. Beiling now predicts that numbers will rise to 1.3bn by the year 2000, and 1.6bn by 2050, before growth begins

The population surge has prompted calls for greater efforts to restrain numbers, including a renewed campaign in rural areas to persuade farmers to restrict their families to one child. The authorities blamed China's large newly mobile population for the worrying new statistics. Many Chinese from rural communities are on the move in search of work and are thus beyond the control of local family planning authorities. China's population growth rate dropped from 2.5 per cent in the 1970s to 1.1 per cent in 1993. Tony Walker, Beijing

India to open roads to business India will soon give the green light to private sector participa-tion in the building and maintenance of roads, until now a government monopoly. Mr Jagdish Tytler, surface transport

minister said yesterday. "The decision will be announced soon," after parliament amends the National Highways Act to allow the private sector amends the National Highways Act to allow the private security to play a role, Mr Tytler said. "A lot of companies, both indian and foreign, are waiting to be involved. We expect the new policy to be a great success," he added. Indian officials say they are looking for an infusion of private capital to help improve the nearly 34,000km of national highways, Many roads are in poor shape, and foreign companies wanting to invest in India following a liberalisation of the national economy have been pressing the government to open up the sector.

Taliban militants oust Hekmatyar's forces from key suburb

Student fundamentalists poised to seize Kabul

By Farhan Bokhari

Taliban Islamic fundamentalist movement in Afghanistan yesterday scored its most important military victory, just before a United Nations mission starts work to secure a transfer of power in the capital, Kabul.

The Taliban, a group of up to 20,000 Islamic students, yester-day took control of the suburb of Charasyab outside Kabul, after an overnight attack ou 28 and his rule seems threat-

positions held by troops loyal to Mr Gulbuddin Hekmatyar, the former prime minister, who is locked in a bitter struggle with President Burhanud-

The seizure of Charasyab leaves the Talibans at the

gates of the capital. on February 18 to oversee a transfer of power from President Rabbani to an interim authority. Mr Rabbam's two-

year term expired on December

din Rabbani.

The UN team is due in Kabul

ened by the Taliban advances. He has urged the UN mission

Mr Hekmatyar's group Hizbe Islami, conceded defeat and said that its troops were regrouping at the city of Kunduz, 60km east of the capital. For more than two years the Hizbe Islami had used Charasyab as an operational base from which to attack Kabul. The conflict has left at least

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thousands more injured. The latest Taliban victory might, three months after it began s campaign to rid Afghanistan of mujahideen factions, western diplomats said. So far the group has seized control of more than seven of Afghanistan's 29 provinces; its success in Charasyab is the

most important to date. Members of some mujahideen factions in Pakistan's northern city of Peshawar last night said the Taliban was likely to encounter minimal resistance from Afghan government troops, if they entered

The Taliban's relentless advance has raised doubts sbout the UN's ability to secure a peaceful transfer of power to a new 30-member council representing up to nine Afghan factions. In an effort to tep up the transition process, Mr Mahmood Mestiri, head of the UN mission, said "a peace-ful transfer of power" would take place by February 18, brought forward from Febru-

Mr Mestiri appealed to all sides to cease hostilities, open roads and restore electricity to Kabul. "The new developments in Afghanistan demonstrate the desire of the Afghan people. for peace and the disillusionment with the present disas-

However, some Pakistani officials were concerned that Mr Hekmatyar's humiliating defeat may prompt him to counter attack, further undermining peace efforts.

FINANCIAL TIMES **FINANCIAL** REGULATION REPORT

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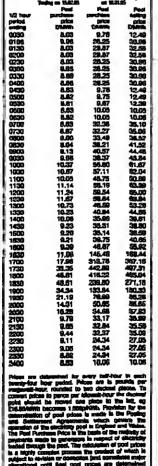
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LEGAL NOTICES IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION COMPANIES COURT IN THE MATTER OF

ENGLISH & AMERICAN INSURANCE COMPANY LIMIT-IN THE MATTER OF THE COMPANIES ACT 1985

Scheme of Arrangement between English & American Insurance Company Limited (the "Company") and its Scheme Creditors (as defined in the Scheme of Arrangement) was approved by Scheme

NOTICE IS HEREBY GIVEN that on 15 December 1994, the

On 25 January 1995, the High Court sanctioned the Scheme of Arrangement as approved by Scheme Creditors. On 31 January 1995, the United States Bankruptcy Court for the Southern District of New York granted a permanent injunction order under section 304 of the United States Bankruptcy Code, providing for the enforcement of the terms of the Scheme of Arrangement in

On 8 February 1995, the High Court ordered that the winding-up petition presented against the Company be dismissed and the appointment of provisional liquidators to the Company be terminated.

On 8 February 1995, the order made in the High Court sanctioning the Scheme of Arrangement was delivered to the Registrar of Companies in England for registration. The Effective Date of the Scheme of Arrangement is therefore 8 February 1995.

Anthony James McMahon and Roger Smith, partners in the firm of chartered accountants, KPMG, and formerly the joint provisional liquidators of the Company, were appointed Scheme Administrators

The members of the initial Creditors Committee are:

The Institute of London Underwriters The International Policyholders Association Lloyd's Insurance Brokers Committee Lloyd's Underwriters' Association Participant Run-Off Limited Fireman's Fund Insurance Company Dow Corning Corporation
Hill Wynne Troop & Meisinger
Anderson Kill Olick & Oshinsky
Policyholders Protection Board

Dated: 10 February 1995

Clifford Chance 200 Aldersgate Street London EC1A 4JJ

Sufficient for Anthony James McMahon and Roger Smith Scheme Administrators of the Company

> To Advenise Your Legal Notices. Please contact Tina McGorman on Tet: -44 171 873 4842 Fax: +44 171 873 3064

Pakistan's tax revenues up 50%

Pakistan's tax revenues improved almost 50 per cent in January compared with the previous six-month period, due to a big shake-up in the taxation bureaucracy, Mr V Jafarey, the prime minister's adviser on finance, said yester-

Despite this year's loss to the crucial cotton crop, the macroeconomic indicators might not perform as badly as earlier

feared, he added. January's exports rose 15 per cent over the same month last year, while imports rose 7 per cent. Tax revenues for the month increased to Rs22bn (\$700m), up from an average monthly collection of Rs16bn (\$510m) since the new budget

year began last July. Mr Jafarey's remarks came ahead of next week's crucial talks between Pakistan and the IMF in Washington Pakistan is in the second year of a threeyear structural adjustment pro-gramme, but is already lagging behind IMF targets.

The government forecasts a

5.3 per cent growth in gross domestic product for the year to June 1995, down from a targeted 6.9 per cent. Officials are worried about inflation run-ning at more than 14 per cent

than the 8-9 per cent aim The Pakistani government said yesterday it had restricted transit of certain luxury goods bound for Afghanistan because huge amounts were being smuggled back, costing the government millions of rupees in lost duties. Imported air-conditioners, refrigerators, television sets, black tea, tyres and other items will not be allowed to be transported into Afghan-

istan, Mr Jafarey stated. Despite the continuing civil war in Afghanistan, its transit trade via Pakistan had jumped from \$129m in 1989-90 to \$320m last year. The government had been forced to act to protect domestic industry from compe-

tition from cheap smuggled consumer durables. Traders imported 38,000 refrigerators, ostensibly for Afghanistan, in the last six months of 1994, against 5,000 in the same period in 1993, offi-cials said. The figure for airconditioners jumped to 98,000 from 4,000 and television sets

to 295,000 from 38,000. Pakistani businessmen have reportedly set np "dummy" companies in Afghanistan which import goods duty free, under the transit agreement The goods are then smuggled back through remote passes.

U Nu of **Burma dies** aged 88

By Chit Tun in Rangoon

U Nu. Burma's only democratically elected prime minister, died yesterday in east Rangoon. He was 88.

U Nu, a former teacher and writer, became the first prime minister of independent Burma in 1948. He served three terms as prime minister and held the centre stage of domestic poli-tics until 1962, when he was ousted in a military coup. Forced into exile, he set up an insurgent organisation based

in Thailand, which fizzled out in the early 1970s. Hs returned to Burma in 1980 under the general annesty proclaimed by Gen-eral Ne Win, then president of Burma, and in 1988, when Burma was rocked by widespread pro-democracy protests,



he set up a "parallel govern-ment", claiming that he was still the legal prime minister of

The State Law and Order Restoration Council which seized power in September 1988 ordered him to disband his "parallel government". U Nu refused and was placed under house arrest. This was lifted in 1992, and he has since spent most of his time in Buddhist meditation.

S Africa court Politics mask N African population successes must rule on death penalty

Z.apatista:

South Africa's powerful and controversial Constitutional Court was inaugurated yester-day, with its first task to decide on the future of the death penalty and of nearly 450 people who have been sen-

The court, composed of nine men and two women, the majority of whom are white, is responsible for measuring the actions of the legislature, the executive and tha judiciary against the bill of rights which forms the core of the country's

interim constitution.
It can overturn legislation passed by the black majority in parliament if it considers a new law violates the constitution. It will also decide on the validity of the final constitution when the draft is com-

President Nelson Mandela said at the inaugural ceremony in Johannesburg that he expected the court to be "creativa and independent, not a rubber stamp". He emphasised that its primary responsibility was to protect tha human rights of

every South African. Mr Mandela recalled that the last time he had stood before a court it was to hear whether he had been sentenced to death. Ona of his defence team on that day in 1964 had been Mr Arthur Chaskalson, who most recently played a significant role in drafting the interim constitution and was subsequently chosen by Mr Mandela to be the president of the new court.

Some politicians have expressed concern that these new arrangements, wherehy the constitution has supremacy over parliament, will allow unelected judges to frustrate the wishes of the electorate. But Mr Chaskalson expressed his pleasure yesterday that South Africa would never again have to suffer under the doctrine of parliamentary

The hearings into the future of the death penalty, which begin today, underline the challenges posed to the politi-cal system by the inauguration

to the court claim that the eath penalty runs counter to the bill of rights which gives every South African the right to life. If the court accepts that view, the death sentence will be abolished.

The coalition government of national unity is divided over the issue, with the majority African National Congress backing its abolition, and the former-ruling National party in favour of retention. With South Africa suffering one of tha highest murder rates in the world, opinion polls have shown that most of the public also believes tha death penalty

should be kept.
The court's verdict on the issue will decide the fate of two men who were found guilty of murdering four people when they opened fire with AK-47 semi-automatic rifles on a bank security vehicle at a Johannesburg hospital in 1990. This case will serve as a test

for 10 similar cases. A range of submissions by organisations most closely involved bave already been made and cover all the well-re hearsed arguments for and against the death penalty. The most politically charged draw on American experiences which suggest that by far the greatest number of those sentenced to death are poor and hlack. The prosecution service and police maintain that the country faces such a critical law and order situation that, for murder and violent crime, the death penalty is still neces-

As in the US with its Supreme Court, the arguments employed by the South African judges will be watched with intense interest

Several are known to be opposed to the death penalty. hut not all of them had their being appointed. Others were members of the ANC and are thought likely to follow party policy. If nothing else, Mr Mandela's presence in court yesterday should have reminded the judges of how damaging capital punishment could be to a country's political future.

European fears of migration from the Maghreb are exaggerated, writes Roula Khalaf

F or many west Euro-peans, North Africa con-jures up images of an exploding population breeding armies of young discontented and unemployed men prone to taking up arms in the name of Islam and forcing their west-ernised brethren to seek shelter in Europe.

Algeria's three-year civil strife has served to increase anxieties, especially in France, that a collapse of the army-backed Algerian government will flood the streets of French

cities with immigrants. Demographers say the issue has been politicised and the threat to Europe exaggerated. masking the deceleration in population growth and the efforts at population containment undertaken in all three North African countries.

The most striking feature of Algeria's 27.9m people, Moroc-co's 29m and Tunisia's 8.7m is that more than half is below

With 50 per cent unemployment among the young in Algeria and the country torn by civil strife, such statistics are cause for concern. Less so, however, in the developing economies of Morocco and Tunisia. Western portfolio managers investing in the area, for example, point out

that a young population on average will have less dependents, thus reducing the burden on the work force.

Annual population growth rates have been on a downward trend - from 3.14 per cent and 2.45 per cent respectively in Algeria and Morocco in 1975-1980 to an estimated 2.27 per cent and 2.06 per cent today - and they are projected to continue downwards.

What alarms Europe are oft-quoted EU figures, based on a 1992 World Bank study, which maintain that the projected increase in the Middle East and North African population by the year 2010 will dwarf the Bank's projections for gross domestic product growth, thus widening the GDP per capita gap between Europe and the Mediterranean to the level of 1 to 20 from a current 1 to 10.

Europe with North Africa only reveals less pessimistic projections, with the wealth gap likely to rise to a level of 1 to 14 from 1 to 11. The gap is likely to be even lower. The World Bank's estimate of a 90m population in North Africa in 2010 has already been revised by the Bank to just over 86m. The UN estimate is

Mr Youssef Courbage, of the

Institut National d'Etudes Demographiques in Paris, argues that North Africa has emerged as an intermediate demographic area between Europe and the Middle East. One reason he says, is the region's heavier integration with Europe. "Without immi-gration, leading to remittances of savings, sending of con-sumer goods and above all the transfer of values and outlook the transition to lower fertility would have been much less rapid," he concludes

In 1992, Mr Courbage and Mr Philippe Fargues maintained in a study that demographic projections for the Maghreb were not as gloomy as many had suggested. By separating women according to their edufertility rates based on each the demographers level. claimed the UN's 1992 projections were overestimated. (The UN this year revised its projections taking account of Mr Courbage and Mr Fargues' analysis.)

The demographers found that an Algerian woman with no education, for instance, bore 7.34 children compared with 3.39 children for a woman with secondary school or higher education. Although female illiteracy is still comThe Maghreb populations 27.9m 2.27% 2.3% 1.19% 2.10% 1.19% 48.9% 46.9% 6.97 7.28

mon throughout the Arab world, it is nowhere near the levels of 30 years ago. In the 1960s, 85 per cent of Algerian and 96 per cent of Moroccan and Tunisian women were illiterate. Today, more than half of Algerian and Tunisian women and nearly 40 per cent of Moroccan women can read and children per women in 1973 to

Mr Courbage sees continued improvement in the lot of women through better access

to education and further urbanisation. in Tunisia polygamy was abolished after inde pendence in 1956 and a legal age was set for marriage. Such reforms paved the way for a successful family planning programme, which belped bring fertility rates down from 5.9

3.3 in 1992, Although the Moroccan government has no explicit family planning policy, such services

are integrated within maternal and childcare services. King Hasan II has also recently asked for a review of the family code with the aim of promoting empowerment of women.

Algeria took much longer to embark on population containment programmes, but it achieved results quickly. Since the family planning scheme started in 1983, fertility rates have dropped from 6.35 to 4.6t in 1989, before stabilising at 4.45 between 1990 and 1992 Although some point to this plateau as evideoce of how Algeria's population programme would fare under an Islamist government, the stagnation may just as well be due to the curtailment of services. Nor is it clear that Algeria's Islamist party, should it come

to power, would push back the gains in education achieved by women. According to Mr Courbage: "In the complex situation of the debate on Algeria's future, the myriad ideological and political uncertainties make it hard to postulate the future for women in its (Algeria's) economy. The radical solution - women's renuncia-tion of their working lives - is not only illusory, but is not even unanupously propounded by the leadership of the Islamic opposition parties.



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INTERNATIONAL NEWS DIGEST

Arab nations draft arms pact

Egypt and the Arah League secretariat, piling pressure on Israel to disclose its nuclear secrets, have drafted a treaty that would make the Middle East a zone free of weapons of mass destruction. The treaty, submitted to representatives of Arab states at a meeting in Cairo yesterday, is designed to include Israel and Iran alongside all 22 members of tha Arab League. The present proposals would come into force only when eight core states signed and ratified it – Jordan, Israel, Iran, Algeria, Iraq, Saudi Arabia, Syria and Egypt, President Hosni Muharak of Egypt proposed such a zone in 1990 but Egypt has

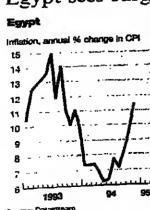
Algeria, Iraq, Saudi Arania, Syria and Egypt. Fresheit Hoshi Mubarak of Egypt proposed such a zone in 1990 but Egypt has not previously formalised it in a treaty.

The idea has again come to prominence as Egypt, Israel and the US manoeuvre over extending the Nuclear Non-Prolifera-

tion Treaty (NPT), which runs out this year. Mr Adnan Omran, an Arab League assistant secretary-general, linked the treaty directly to Israel's refusal to sign the NPT and to open its nuclear programme to international inspection. its nuclear programme to international inspection.

The row over the nuclear treaty has driven a large wedge between Egypt and Israel. US attempts to mediate a compromise do not appear to have borne fruit. Mr Shimon Peres, Israeli foreign minister, said on Monday that he and his Egyptian counterpart had clashed on the subject in Washington. Against this background it is most unlikely that the treaty will come into force in the near future. However, diplomats said Egypt saw it as a way to mobilise Arab support diplomats said Egypt saw it as a way to mobilise Arab support against the nuclear status quo. Reuter, Cutro

Egypt sees surge in prices



Egypt's inflation rate rose to 12 per cent last year from 9.7 per cent in 1993, government figures showed yesterday. The figures, released by the Cabinet Information and Dacision Support Centre, reflect a surge in price rises which started in June last year. Year-on-year inflation at the end of November last year was 11.4 per cent. The govern-ment, committed to a wideranging programme of aconomic reform under World Bank and International Monetary Fund supervision, said last year it aimed to bring inflation down to 3-5 per cent

hy the end of 1995. The central bank discount rate – the interest rate charged on central bank loans to hanks – has interest rate charged on central bank loans to hanks – has interest rate charged on central bank loans to hanks – has interest rate charged on central bank loans to hanks – has interest rated the price rises might mean discount inflation. Bankers said the price rises might mean discount rates start heading up again. Reuter, Cairo

Syria to build textile plants

Syria is to invest more than S£16bn (£245m) in two new Syria is to invest more than SEISON (E245m) in two new factories and the expansion of existing textile plants as part of a plan to boost the cotton industry, Mr Ahmad Nezamuldin, the industry minister, said. The plan would allow the private the industry minister, said. The plan would allow the private sector to engage in the ginning industry for the first time. Mr Nezamuldin said Syria's annual production of cotton stood at the private wilding 234,000 torms of claused products. Nezamuldin said Syria'a annual production of cotton stood at 650,000 tonnes, yielding 234,000 tonnes of ginned products. About 150,000 tonnes of ginned cotton are exported. Existing factories have the capacity to handle 30,000 tonnes of ginned cotton a year and the new factories will increase that to 120,000 tonnes, creating 5,000 jobs. Reuter, Damascus

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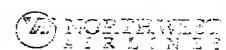
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Santer speech today will shake Tories

and Lionel Barber in Brussels

A speech today by Mr Jacques Santer, European commission president, is likely to widen UK government divisions over Europe by calling for monetary union at the earliest feasible

will set out a five-year programme for the Commission Mr Major yesterday made his clearest statement to date that the UK will keep passport controls for traffic from other European Union countries, even though Mr Santer will today call for the removal of such controls.

Equally controversial for the UK government will be a statement by Mr Santer that the achieve a single European cur-rency by the beginning of 1997, subject to the Maastricht economic convargence criteria

This may be interpreted by Conservative MPs as a snub to Mr Major, who has said that he does not believe that the economic conditions will be in place for monetary union by then - and that even if other countries go ahead, the UK will stay outside any combined currency till the end of the century at the earliest.

Meanwhile Mr Major yesterday moved to fill the gap in his government caused by the resnation at the weekend of Mr Charles Wardle, junior trade minister, who quit over the

The promise was made in the heady days after Mr Major succeeded Lady Thatcher. Nowadays, Mr Major told Thatcherite MPs recently, his aim is to avoid a "centralist" Europe, and to home on to the UN met. by Mr Richard Page, a low pro-file MP who has been given ministerial office for the first time since entering parliament

minister, Mr John Major, sig-nalled the end of the hostile approach to the European

Union of his predecessor, Bar-oness Thatcher, his pledge to put Britain "at the heart of

Europe" looks increasingly hol-

and to hang on to the UK veto.

Mr Major's approach has

been changed by the militancy

of a group of Conservative crit-

ment's narrow parliamentary

MPs. Their degree of hostility

to the EU varies, but all revere the rights of nation states, and oppose further erosion of the

powers of the UK parliament -

particularly the establishment

of a single European currency.

Their concern with sover-

eignty is not unique. Many

French voters share similar sentiments, reflected in the

narrow referendum majority

for the Maastricht treaty.

Opinion polls in Germany

demonstrate strong opposition

to a single European currency,

while Denmark agreed to

Mr Major pledged yesterday in the House of Commons that he would take "whatever steps are necessary" to keep pass-port checks at British ports. When asked whether this meant the UK would be prepared to defy any future European Court ruling on the issue, a senior official said: "There is a limit beyond which I cannot

Despite what appears to be a veiled threat by the Government to disobey the court if necessary, Conservative Eurosceptics say they remain unhappy about the govern-ment's policy for retaining the border checks.

A group of Eurosceptic MPs who have been deprived of the party whip last night tabled a parliamentary motion calling on Mr Major to press for the UK's right to border controls to be raised at next vear's EU Intergovernmental

Meanwhile, Mr Douglas Hurd, the foreign secretary, last night warned against any further centralisation of power in the EU, saying such a move would "run against the grain of our history and the instincts of our people," Speaking in Stockholm, Mr Hurd said it would be a "huge mistake" for the EU to adopt big changes at the intergovernmental confer-

Suspicion of EU superstate transcends party divisions

Hostility is growing to an institution which is viewed widely as a threat to national sovereignty, writes Kevin Brown



Pomp and circumstance: an improbable alliance of politicians is prepared to advance to the defence of cherished national icons

ics of the EU, usually referred to as Eurosceptics, who have cleverly exploited the govern-Maastricht only after two referdums. Norway rejected the Broadly, the Eurosceptics number between a third and a half of the 321 Conservative EU, and Switzerland refuses even to join the European Economic Area.

Nevertheless, viscaral anti-EU feeling appears to be increasing in the UK, prompt-ing open discussion of the possibility of withdrawal by senior politicians such as Mr Norman Lamont, the former Conservative chancellor (chief finance Mr Bill Cash, a leading Eurosceptic MP, says that sov-

ereignty is about power. "There are those who think you can split it, but you cannot. Power has to reside in one place, because opinions can be pooled but decisions cannot."

But there are more fundame tal objections, prompted by fears that the process of integration with Europe increas-ingly conflicts with Britain's aense of separate identity, itself a product of geography and history. Some critics say this is a

result of Britain's lack of land borders. Others cite the experience of two world wars - apart from neutrals, Britain is the only EU country not to have been defeated or occupied this

in private, many go further, casting doubt on the demo-cratic credentials of EU states where democracy took root only after 1945 or, in the cases of Spain and Greece, less than

a generation ago. The Euros-ceptics' influence has grown stronger since November, when nine MPs were excluded from the Conservative parliamentary party after opposing increased contributions to the EU, putting the government in a technical minority of five.

Mr Tony Blair, the leader of the opposition Labour party, has taken a more positive approach to the EU, and has sought to exploit Conservative divisions to prompt an election before 1997, the last date available to Mr Major if his govern-

But Labour harbours Euroscentics, too, More than 60 Labour MPs voted against the Maastricht treaty in one or

both of two crucial votes, and 40 defied the party leadership in the November vote on EU

Mr Nigel Spearing, a veteran Labour critic of the EU, says to the erosion of sovereignty because people are realising that the country's largely. unwritten constitution is being replaced by EU treaties.

A programme for government from a modern Atlee [Labour UK prime minis-ter from 1945 to 1951] would be outlawed by the treaties," he says. "No political party can advocate a programme which is contrary to the requirements of the treaties, and to that extent we have lost fundamental democratic freedoms." Eurosceptics on both sides also claim that voters were deceived by a cross-party consensus mobilised to take the UK into the European Community in 1978, and to keep it there during a 1975 referendum

PARTITION WESTER

Names W

on membership. This was the theme of a manifesto produced last month by eight of the nine excluded Conservatives. The document entitled A Sense of Country claimed that the electorate voted for a free trade area and found itself saddled with a

Mr Peter Shore, a former Labour cabinet minister, said this week that there was "deep suspicion that there is a virtual conspiracy not to tell the British people the truth either about what has already been surrendered or about forther demands that are known to be

in the pipeline."
Even Mr Paddy Ashdown, the leader of the federalist Liberal Democrats, claims that "most people see Europe as a conspiracy by the politicians and bureaucrats, from which they are excluded."

Against this background of

suspicion, Mr Major has sought to steer a course acceptable to Eurosceptics and other EU states. All the signs are that

Brussels hopes to drop internal border controls

By Lionel Barber in Brussel

Mr Jacques Santer, president of the European Commission, will today call for the lifting of border controls inside the EU to fulfil the goal of a barrierfree internal market.

His declaration, in a speech to the European parliament in Strasbourg, foreshadows fresh Commission proposals for legislation later this year. It eems certain to arouse opposi-EU countries such as Denmark, Ireland, Sweden, and Finland also have reservations.

The Commission is pre-empting legal action in the European Court of Justice by the European Parliament. Members of the parliament (MEPs) have filed suit against the Commission for failing to enforce the 1986 Single European Act which provides for the free movement of goods, services, people, and capital by January 1 1993. Commission officials in Brus-

sels yesterday reacted with bewilderment to suggestions among Eurosceptics in Britain's ruling Conservative party that Mr Santer's support for a border-free EU was intended to undermine the government of the UK prime minister, Mr John Major.

Brussels officials do acknowledged that the timing of Mr Santer's speech was unfortunate because it comes four days after Mr Charles Wardle, a junior trade minis-ter, resigned from the UK government after raising the alarm about the relaxation of the EU's internal checks. Seven EU countries - Bel-

gium, France, Germany, Lux-embourg, the Netherlands, Spain and Portugal – are soon to scrap all document checks on travellers over a three-Under the so-called Schengen

agreement, the lifting of con-trols will apply not only for EU citizens flying within the sig-natory states, but also to visitors to Europe from third countries who have gained entry to the EU through a joint visa. The Schengen states and the

European Commission argue that relaxation of internal borders is more than compensated by the strengthening of external EU frontiers to prevent the entry of undesirable aliens, economic refugees or other

Because it is worried about the effectiveness of the new external curbs, Britain has not joined Schengen. Italy has yet to sign up because it has still to introduce laws to protect computer files, while Greece does not yet have the necessary technology. Austria has

observer status. Denmark, Finland and Sweden have a special problem with Schengen because they do not have border controls with

If official figures are to be believed, the UK does not have an immigration problem, John Authers writes. Home Office data show a period of great stability in a policy which has frequently provoked political controversy since 1945. The total number of immigrants in 1993, the last year for which official figures are available, was given as 55,640, only a slight increase on 52,790 in

who have been removed, either by deportation or following formal warnings, also remains stable and quite low, and has stood at about 6,000 each year so far this decade.

racy of the data. Immigration officials claim that these figures "massively" understate the scale of illegal immigration, which by definition can-not be included in the figures.

Once illegal entrants are included, the Immigration Service Union believes the total influx to the UK each year would be tripled. Mr Martin Slade, deputy general secre-tary, said: "The biggest problem is eastern Europeans. They have ready access to the land mass of Europe." He said the UK's problems had increased since a "light touch" approach to intra-European arrivals in 1993.

Norway whose voters rejected EU membership in last Novem-ber's referendum.

trols with Norway would be politically sensitive in Scandinavia," a Brussels legal expert explained. "On the other hand, lifting all controls would give Norway de facto membership

In 1985, Baroness Thatcher, then UK prima minister, signed the Single European Act. But she obtained a decla-ration in the treaty which reaffirmed the right of member states to take measures to con trol immigration from third countries, and to combat terrorism, crime, drug-trafficking and illicit trade in art and

In the UK, these words are often described, misleadingly, as a treaty opt-out. Legal experts in Brussels yesterday said the 1985 declaration had no juridical force and was subordinate to the treaty requirement supporting freedom of movement of people.

Moreover, the declaration

may have been weakened by the UK government's signing of the 1991 Maastricht treaty which reaffirmed the right to freedom of movement, the experts said. However, the Commission's directive, planned this year, must still be approved by the Council of Ministers, where the UK has a

START OR EXPAND collection, you could scan galleries and dealers around the globe, befriend distinguished historians and curators, study the 25-year market fluctuation in Impressionist painting, gauge the effects on the family trust, and determine the exact comings and goings of La Fillette au Chapeau de Paille since 1908.

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By Raiph Atkins, Insurance Correspon

Some of the worst-hit Lloyd's of London members yesterday won a £210m (\$327.6m) interim award, an amount which was higger than expected.
The High Court ruling in

favour of Gooda Walker Names - the individuals whose assets have traditionally supported the insurance market - may prove a sethack to hopes at Lloyd's of resolving the many pending cases out of court.
It was hailed by the Gooda Walker Action Group, whose 3,000 members lost heavily as a result of natural catastrophes

By William Lewis and

Sastchi & Sastchi has passed

details to the London Stock

Exchange of a share transac-

tion allegedly carried out on

behalf of Mr Maurice Saatchi,

the advertising company's founder and former chairman,

which the company considers

may have broken its own and

The details relate to the sale

of 679,375 Saatchi shares in

December 1993 by Strand

stock exchange rules.

Rocher, of Wilde Sapte, the group's solicitors, said tha judgment was "a significant step" towards winning full compensation for losses which the High Court said in October

LLOYD'S OF LONDON resulted from "culpable" and "unjustified" risks by the nowdefunct Gooda Walker agency. A hearing on total damages for Gooda Walker Names, which the court indicated would be

"substantially higher" than the

£210m, will start on March 27.

Saatchi said yesterday: "The

company has passed details of certain share transactions by the former chairman Mr Mau-

rice Saatchi over a year ago to

the Stock Exchange. These

details only came to the atten-

tion of the company in recent

Saatchi said Mr Saatchi

It also believes elements of

the deal may have contravened

the London Stock Exchange's

hroke company rules by failing to disclose the transaction to

the company.

The victory was marred, however, by uncertainty about whether aven the interim award can be met from "errors and omissions" insurance policies taken out to cover against negligence awards by the 71 sional agencies sued. Clyde & Co, solicitors representing the agencies' insurers, said some policies were void

while others were inadequate. About 20 of the agencies involved are in liquidation. A decision by the High Court to allow the insurers I4 days to pay means that Gooda Walker Names will not escape a rule change which Lloyd's plans to

Saatchi queries sale of shares by founder

But a close friend of Mr Mau-

rice Saatchi said the Strand

Nominee shares that were sold

were owned hy Mr Charles

The adviser said Mr Maurice Saatchi had disposed of his

1.8m shares in a separate deal

in January 1995 and had had

nothing to do with the 1993

London Stock Exchange offi-

cials are already probing Mr

Maurice Saatchi's 1.8m share

deal and it is thought that they

may now also examine the 1993

share transaction.

Saatchi, Maurice's brother.

It would require damages to be used to settle Names' debts at the insurance markat. Unless ruled unlawful - and a legal challenge is expected that could take more than £50m of yesterday's award. Lloyd's last night restated that "a settlement is the only fair way of ending all this litigation". But the size of the interim payment may make it harder for Mr Peter Middleton, Lloyd's chief executive, to forge a settlement hetween Names and agencies being pur-

sued for compensation. Mr Michael Deeny, Gooda Walker Action Group chairman, said: "It strengthens our

not a director in December

1993 it is not clear what rule he

has hroken", Mr Saatchi's

discovered by the company

after it used company law to

require the controllers of nomi-

nee shareholders to reveal

their trading records and the

ultimate owners of the shares

Separately, Saatchi & Saat-

chi announced it had started

legal proceedings against the

Saatchi brothers and one of

The share transaction was

friend said.

they hold.

not closing the door."

Some Names will be encouraged to continue legal action by the court's ruling that the ageocies' insurers must add interest to damages awards if not paid promptly. That might reduce the incentive for the insurers to delay legal proceed-ings via repeated appeals. Underlining growing ten-

sions between various Names groups, a coalition of action groups with cases still in the legal pipeline have appealed this week against an earlier High Court decision that damages should be awarded on a "first come, first served" basis.

their involvement in Adidas,

the German sports shoe manu

facturers Saatchi & Saatchi

claims it is owed money from

profits the brothers made on

investments in Adidas, made

in February 1993. Adidas is

chaired by Mr Robert Louis-

Dreyfus, a former Saatchi &

Saatchi chief executive. The Saatchi brothers main-

tain their investments were a

personal matter and the trans-

actions had been minuted by

the Saatchi group board at the

Protests cut live calf trade by 30%

Protests have cut the number of live calf exports from the UK to mainland Europe by 30 per cent and halved the number of sheep exports in recent weeks, the Meat and Livestock Commission, the official meat promotion agency, said yester-day, Alison Maitland writes.

Calf prices are down as much as 25 per cent on last year as a result. However, sheep prices are much less affected because this is not the

season for live sheep exports.
The industry body said: "It seems likely that live export volumes in future years will be significantly lower than the peak levels of 1993." Exports of calves and sheep that year

were worth £185m (\$287m). The impact of the animal welfare campaign was revealed as Mr William Waldegrave, the UK agriculture minister, discussed the controversy in London with his nch counterpart, Mr Jean Puech, who is also president of the European Union agriculture council. The issue will be discussed at next week's agriculture council in Brussels.

Commodities, Page 23

UK NEWS DIGEST

Firefighters cancel trade trip to Iraq

A British company has cancelled its participation in a trade delegation to Iraq following the disclosure that it was planning to discuss the provision of firefighting equipment for iraq's petrochemical and oil industries. The company, Angus Fire, which is part of industrial conglomerate Williams Holdings. had planned to discuss the supply of foam liquid and related hardware for these sectors.

Williams Holdings said yesterday that Angus Fire had ohtained a communication licence covering firefighting equipment only in general terms. It is understood that the company had interpreted this as an uncooditional licence with which to discuss future contracts with the Iraqis.

Under United Nations sanctions, communication licences limit UK companies to discussing with Iraq contracts covering food, medicine, and other essential humanitarian goods. The Department of Trade and Industry in London said last night it was not prepared to comment on whether it had issued Angus Fire with a communication licence. Jimmy Burns

Train drivers' union to ballot over pay and staffing

Aslef, the unioo representing train drivers, is balloting its 15,000 British Rail members on pay, manning and pensions ssues. The move comes as the union's left-dominated executive prepares for a summit conference with full-time officials on Fehruary 27 to reassess the union's plan to confront the privatisation process.

Unioo members will be asked in the ballot to approve ndustrial action if they are oot offered a "substantial" pay rise above the rate of inflation when their wage negotiations begin shortly. Robert Taylor, Employment Editor

Eurotunnel summer fares are set to compete with ferries

Eurotunnel yesterday announced spring and summer fares for its Channel tunnel shuttle trains slightly below the rates quoted by the ferry companies in their brochures, it said it was out to compete with the ferries but did not want to trigger a price war. Fares range from £115 (\$179,40) for a five-day return for a car and passengers to £308 for a standard return. These compared with ferry fares from £124 to £330. The Eurotunnel fares will apply from March 31 when the company will switch to a full turn-up-and-go service from the present arrangement which requires pre-booking. Eurotunnel will douhie the length of its trains next month.

Meanwhile European Passenger Services, which operates the Eurostar passenger-only trains between London, Paris and Brussels, said its Brussels service had attracted fewer people than expected. Charles Batchelor, Transport Correspondent

Research linking lack of jobs to crime is challenged

Government denials of any causal links between crime and unemployment are challenged today by Dr John Wells, a lecturer at Cambridge University. His report, published by the Employment Policy Institute, an independent think-tank, questions government findings and claims that the evidence linking crime and joblessness is much stronger than supposed Dr Wells said Home Office studies had neither taken adequate account of the fact that unemployment was a "lagging indica-

Property crime in England and Wales

Thousand offences per 100,000 persons Post Opec reco Opec price rise

tor" of conditions in the economy, nor adjusted properly for inadequacies in official statistics. "On closer examination, changes in crime can be linked to the state of the labour market," he said, declaring that crime against property decreased in periods of economic buoyancy and increased during recessions. Lisa Wood, Employment Staff

Missing lord's will disclosed: The will of Lord Lucan, who disappeared more than 20 years ago and whose death has never been established, shows his property worth less than £150,000 when he was last seen. Lord Lucan, is still wanted by Scotland Yard for the murder of his family's oanny and the attempted murder of his wife. He is a desceodant of the Earl of Lucan who in the Crimean war gave the order for the fateful charge of the Light Brigade.

Man belied on virus charges: A man accused of introducing computer viruses was bailed in court in Plymouth, south-west England. Mr Christopher Pile, 26, faced five charges of accessing a computer without authorisation to facilitate crime, and five of modifying computer material without authorisation. He is believed to be the first person to face such charges.

£700m expansion for phones group

Cellnet, the second-largest UK mobile phone company, plans to spend up to £700m (\$1.085bn) over the next three years to create what it claims will be the world's most advanced cellular phone network.

Cellnet, owned jointly hy British Telecommunications and Securicor, has for the past decade lagged behind Vodafone as the UK's largest mobile phone operator. The most recent figures suggest that Cellnet is now growing faster than its larger rival and is set to overtake it in total subscribers this year. Vodafone has 1.64m subscribers while Cellnet

increased depth of coverage in Cellnet's new services will

any time, while screening out unwanted calls.

southern England. At the conclusion of the programme, Cellnet will have added 1,400 base stations - the units that receive and transmit transmissions from mobile

ing better ways of screening potential customers for credit-

worthiness. Senior executives

helieve potential subscribers

are being turned down because

existing credit-checking methods are too insensitive.

The first stages of the invest-

ment programme were initi-

ated this week with the award

of contracts, worth £28.5m in

total, to Motorola of the US

and Ericsson of Sweden. Erics-

son's contract, worth £22m, is for advanced switching equip-

ment needed to support flexi-

ble hilling and advanced net-

The Motorola contract is worth £6.5m and will provide

work management.

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THE CITIBANK PRIVATE BANK

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include an "electronic assistant" with the ability to locate subscribers anywhere and at

The company is also examin-

strong octwork

Michael Lindemann on German rivalries in the recycling sector

The waste recycling plant in the Ruhr town of Bottrop does not exactly suggest new technology. Situated on waste ground in a perticularly desolate corner of the Ruhr conurbation, the mass of twisted pipes and levers seems more an echo of the past than a portent of

Yet for almost a year the plant has been converting assorted plastics waste into oil which is blended in a refinery next door to produce high-quality oil-based

The plant was first used during the latter stages of the second world war when scientists tried desperately to convert coal into Kohleöl-Anlage, or coal-oil plant. They succeeded – but the process was prohibitively expensive and produced minimal quantities. In the early 1970s, during the oil crisis, scientists tried again but costs remained too high.

Sluce last April the Bottrop plant has been using not coal but 40,000 tonnes of synthetic materials waste collected by the **Duales System Deutschland** (DSD), the company set up to create the Kreislaufwirtschaft or so-called full-circle economy where as much waste as possible is recycled into raw materials.

The synthetic waste - from plastic bags, yoghurt cartons and computer casings - is mixed with heavier oil residues before water is added. In the process (hydrogenation) the chemical compounds are broken up to produce a synthetic oil which is piped to the next-door refinery.

To turn waste into oil costs about DM800 (£336) per tonne considerably more than the expense of burning it. However, managers at the Bottrop plant believe they can reduce costs to around DM450 if they can increase the capacity. It seems they are not alone.

BASF, one of Germany's biggest chemicals makers, has built a similar plant at its headquarters in Ludwigshafen. Instead of adding water, it heats the waste to create a mixture of liquids and gases which are then distilled to produce a variety of raw naterials such as botane

which can be used to manufacture other chemical products. One kilogram of waste yields 900g of reusable raw materials, the

company says.
"The beauty of this process is that everything that comes out can be immediately reused at the plant in Ludwigshafen. We do not have to transport it anywhere," says BASF.

But the butane and other products distilled are still more expensive than if BASP bought them straight from the refinery. The company has so far spent DM40m to build a plant that converts 15,000 tonnes of waste. Although it has so far made no money, the law in Germany says synthetic waste must be collected and BASF wants to become one of the main recycling sites.

It has offered to build a plant that can handle 300,000 tonnes of waste - if it receives a subsidy of up to DM350 per tonne from the

The DSD, however, is not inclined to give BASF all the waste it wants. The company estimates that it will have about 530,000 tonnes of synthetic waste to dispose of this year and is boping to share this out among up to five different plants. "For the sake of competition we want to ensure that there are as many players out there as possible," a DSD spokeswoman said.

Klöckner Werke, the steel plant in the northern German city of Bremen, is likely to receive around 80,000 tonnes of waste which it will use to make steel. RWE. Germany's biggest

electricity producer, has two plants at which it hopes to make synthetic gases and oils from the plastics collected by DSD. BASP is likely to receive only 150,000 tonnes, or half of what it pitched

DKR, the DSD off-shoot responsible for recycling synthetic wastes, is negotiating with the companies that have the available technology.

Who gets exactly how much is

that several new recycling plants have come on line over the past year suggests competition to recycle synthetic waste is hotting

still unclear. However, the fact

hat do an Ecuadorian tree frog, poison gas and compact discs have in common? The answer is chlorine, one of the most widely used chemicals and the tar-

get of environmental activism. Greenpeace, the environmental pressure group, is leading the cam-paign for a "chlorine-free" world. It stresses that chlorine is a toxic gas, which has been implicated in some of the world's biggest chemicals disasters, such as at Seveso in Italy and Bhopal in India.

So aggressive has the attack on chlorine become that leading producers, headed by Dow, the world's biggest manufacturer, Solvay, Bayer and ICI, are mounting an unprecedented public relations drive to trumpet chlorine's merits.

The industry fears a confrontation similar to that over the use of czone-depleting chlorofluorocarbons (CFCs). Manufacturers feel they lost touch with public opinion in trying to defend products that had become widely criticised.

At a conference in Brussels last week, Euro Chlor, the federation of leading manufacturers and users, acknowledged that the industry had been slow over CFCs. Delegates agreed that companies should not make the same mistakes again.

The manufacturers argue that the point is to find a balance between ecology and economy. The environts counter that chemicals companies err too much on the side of economy and that people's safety has to be the priority.

The companies and Greenpeace are aiming their lobbying at environmental regulators and, to a lesser extent, the public. While Greenpeace believes the industry will be compelled to adopt changes only through regulation, the chemical companies want to persuade regulators that voluntary agreements are adequate.

Greenpeace appears to have the upper hand in terms of winning over public opinion. Although it lacks the financial muscle of the chemical glants, its campaigning stunts have won wide publicity. Regulators are an easier target

audience for the industry than the public. Chemicals plants are big. dirty and widely seen as dangerous. Attempts by managements to present a human face have been undermined by accidents, while claims of environmental concern are usually met with cynicism. Many chemicals executives are

poor communicators. "They may be great scientists, but there are rela-tively few who perform well in front of a non-specialised audience," admitted one of the conference organisers in Brussels. Hence the focus on regulators rather than a broader charm campaign.

The drive to defend chlorine will be difficult. Although it is widely The chlorine industry is out to prove that the benefits outweigh the disadvantages, writes Haig Simonian

Economy v ecology

used, few chemicals have so notorious a record.

Most familiar for its use in water treatment, it is also an important intermediary in making thousands of other compounds. The bestknown is polyvinylchloride (PVC). the second most produced polymer after polyethylene. Chlorine is also an essential intermediary in a range of sophisticated plastics used in products as diverse as car bumpers, pipes and compact discs. It also features in many pesticides, bleaches and pharmaceuticals.

But chlorine has an unenviable record. First world war veterans recall the nightmare of the poisonous yellowy-green chlorine clinging to their trenches. As a toxic gas heavier than air, even casual expo-sure to chlorine is undesirable. Visitors to electrolysis plants where chlorine is made are issued with breathing apparatus for emergen-

In addition to concern about the gas itself, there is a problem with emissions in chlorine production. Most chlorine in Europe is still produced by mercury electrolysis, which involves passing an electric current through brine. The process releases large amounts of chlorine, but also small quantities of highly toxic mercury, emitted as waste. Although mercury emissions are 85 per cent below the levels of 15 years ago and the mercury method is being replaced by non-polluting membrane technology, mercury electrolysis still accounts for about 70 per cent of western Europe'a chlorine output.

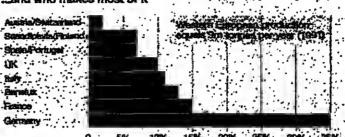
Problems with by-products are not new. In the late 1970s, chemicals companies were put under the environmental microscope after reports of dangers in polychlorinated biphenyls (PCBs) - chlorine byproducts which were banned after being found accumulating in the food chain. The pesticide DDT is another chlorine-related compound that has become infamous and is no longer used in the developed world.

The issue of emissions has become particularly sensitive ahead of this year's Fourth North Sea Conference in Denmark in June. Polluiants are likely to draw sharp criti- reviewing the potential risks.



1995 * 1981 1992 .. 1993 *:

and who makes most of it



cism from senior delegates from European countries bordering the

Chlorine is also implicated in cancer. Burning chlorine-containing products, such as PVC, at certain tamperatures releases dioxins, a family of 210 chemical compounds, 17 of which are regarded as highly toxic. The worst are alleged to be carcinogenic and even to cause birth defects. Although scientific opinion is still divided, the US Environmental Protection Agency is

The industry argues that processes are now safer and that byproducts that have been proved to be hazardous have been withdrawn. With so much against it, chlorine manufacturers are eager to publi-cise the benefits of their product. Hence the Ecuadorian tree frog. It

is one of the few animals which produces chlorine naturally. At a press conference next week, ICI's chloring subsidiary will use it to portray the natural and healthy aspects of chlorine.

The frog, which produces a chlo-

rine compound as a pain killer, is part of a campaign to stress that society depends on chlorine. Many end products which use chiorine in the manufacturing process don't contain any chlorine at all," says Réné Scheffers, chairman of Akzo Nobel's Base Chemicals division.

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The industry wants to drive home the message that the benefits of chlorine outweigh the risks. About 296,000 jobs (out of a total of around 2m) in European chemicals depend ou chlorine, according to Baron Daniel Jansen, chairman of the executive committee of Solvay. With sales of about DM300bn (£125bn), about half the European chemicals industry depends on chlorine," he says.

Alternatives exist in many cases, but are not always as effective, the industry claims: ozone can be used to disinfect water, but its protection is more limited. Alternative intermediaries exist to make complex polymers, but they often present environmental risks that are as great, if not greater, than chlorine. And burning chlorine-containing products does not release dioxins if the temperature is high enough and the incinerator is fitted with adequate filters.

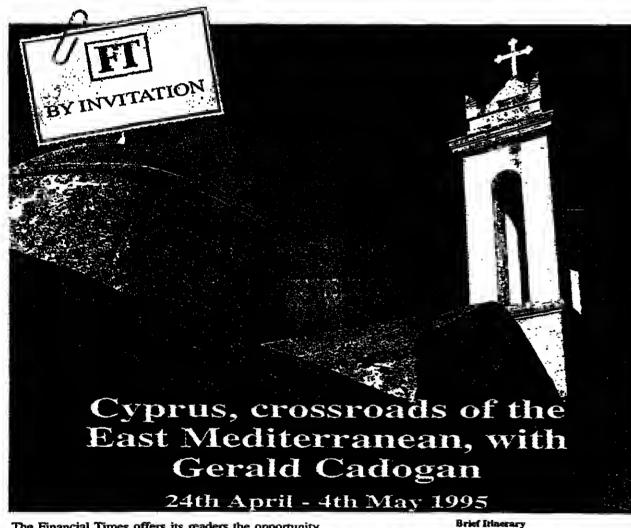
The argument about mercury electrolysis highlights the industry's cost-benefit strategy. Euro Chlor estimates that about 13 tonnes of mercury a year are emit-ted through chlorine electrolysis. That compares with around 20,000 tonnes a year occurring naturally. says Barrie Gilliat, the chairman of Euro Chlor's technical committee. By contrast, it would cost about DM10bn to replace mercury electrolysis with membrane technology Does it make any sense to spend DM10bn to eliminate 12 tonnes of mercury when nature and the rest of the world make 19,988," he asks.

Dieter Becher, a board member of Bayer and chairman of the German Chemical Federation's environmental committee, says the industry recognises the need to act responsiin cases of documented environmental risk, he says. He believes supervision should be through vol-

untary agreements, not regulation.
The industry has proposed four agreements for a balanced process between economy and ecology". These include an accord to cut mercary putpert and better recycling for chlorinated solvents, such as drycleaning fluid, and plastics like PVC, which consumes a third of Europe's annual chlorine output.

Critics remain unconvinced, Bob Edwards, in charge of Greenpeace UK's chlorine-free campaign, says: The only real way industry will move is under regulatory pressure.

This has been proved over and over
again. When there is pressure to reduce outputs, industry will always find alternatives."



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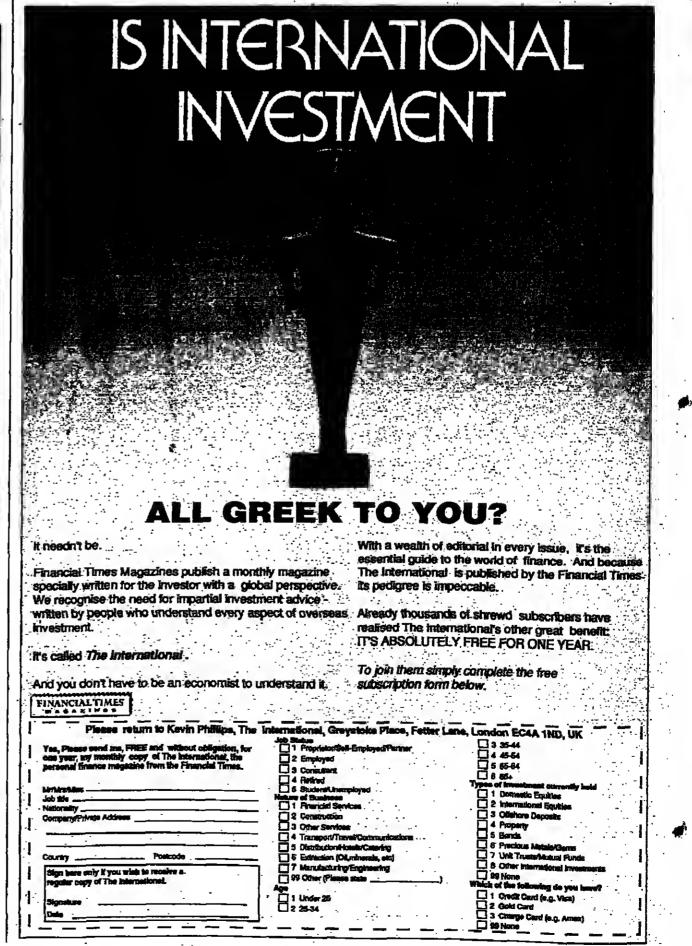
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Television/Christopher Dunkley

Why the BBC should be bourgeois

ing in broadcasting live in big cities and in Britain the most important centre by far is London. Perhaps that is why so many broad casters honestly believe, as they keep telling us, that "Britain is now a multicultural society", and that black and Asian people are desperately under-represented on television. The truth is that Britain is a monocultural society which has recently experienced the development of a few multicultural cities, notably London. In some London horoughs black and Asian people now make up 20 per cent of the population, but in Britain as a whole the figure is only about six per cent. In most parts of Britain there are no black or Asian people, but considering what a small but considering what a small proportion of the population they form they have been wonderfully, and hearteningly, successful in televi-

From Trevor McDonald and Moira Stewart to Lenny Henry and Gary Wilmot, from Art Malik and Saeed Jaffrey to Stuart Hall and Shyama Perera they bave flour-Black and Asian people are now dominant in many televised sports

including poxing and athletics. Bad as England's reputation in Test cricket may be today, it would be much worse without Lewis, de Frei-tas and Malcolm. Black music and black street fashion are major elehlack street rashed are major es-ments in pop music and youth pro-gramme strands. "African Americans" such as Prince and Whitney Houston add to Britain's own familiar black role models in this sphere. Even areas such as grand opera and ragby union which used to be seen as white redoubles have changed: Jessye Norman and Willard White are frequently seen singing on screen, and it was impossible to watch England's splendid victory at Twickenham over France on BBC1 without noticing the central roles played by Ubogu and Guscott.

And yet, according to a leak in this week's Sunday Times under the startling headline "Birt tells the BBC we're boring, biased and bourgeois", the long awaited Programme Strategy Review to be

announced by the BBC later today will report black and Asian viewers saying that they feel "excluded". Consequently the BBC will undertake a long term strategy to woo ethnic minorities. According to this leak (which could, of course, have the emphasis wrong, though it quotes verbatim so this seems unlikely) children dislike the programmes the BBC makes for them — "old fashioned and worthy, and more in time with their parents' idea of traditional children's programmes" — and there is hostility in Scotland, Northern Ireland and Wales to the PRC's I process the So. Wales to the BBC's London bias. So wates to the BBU's London mas. So efforts will be made to attract young people and "those outside the home counties". We are told that the report notes the success (meaning high ratings, presumably) of TTV's mid evening drama series, and says that BBC music and arits programmes will become and arts programmes will become "more populist in tone".

It sounds like the antithesis of Reithianism but very wuch in line

with ideas which have spread like wildfire from the US, where con-tempt for the culture of "dead white Kuropean males" is now widespread, and from Britain's own media-studies centres, which say that the time has come to abandon

hen broadcasting began in Britain, within living memory, there was a among educated people as to what constituted excellence. The Reithisn notion was that if you continnally aimed your programmes slightly above the expectations of the audience you would draw people up to greater things: those who started out listening to the Light Programme would graduate to the me Service; those who began by thinking the Home was their natu-ral niche would be led up to the Third Programme. No doubt it was somewhat paironising and the catalogue of excellence both rigid and

However, British broadcasting now seems to be scampering faster and faster in the opposite direction, down the road marked "relativism" towards the place where the asser-tion that anything is "better" than anything else – that Bach was a better composer than Gary Clitter – is considered supercilious and unacceptable. The idea now seems to be to aim well below the expectations of the more demanding members of the andience in order to maximise ratings. Assuming The Sunday Times has it right, the central message of today's report would seem to be that the BBC is worm seem to be that the southern still "super-serving" the southern middle classes. Yet that, surely, is precisely what it should be doing. Britain today is a predominantly middle-class society, and the population is more densely concentrated in southern England than any-

This demographic argument

of starting even more separatist programmes such as The Reol McCoy, providing enclaves for black people in the manner of South African apartheid) sounds almost absurd, but it is symbolic. So far the BBC is still making adaptations from George Bliot and Charles Dickens (though it is significant that the current adaptation of Edith Wharton's The Buccaneers is regarded by the BBC as being on a par with Middlemarch and Martin Chuzziewit: Episode 2 confirmed that it most certainly is not). However, the middle-class intelligentsia can see the writing on the wall: they will not miss the line that connects Anderson Country on Radio 4 - which they see as attempt to pre-empt Talk Radio UK in winning the C, D and E socio-economic groups over to

speech radio - to today's report. In Britain we already have Channel 4 with its statutory obligation to serve minorities and make

experimental programmes. We have ITV which, thanks to a dreadful plece of legislation in the Thatcher era, now concentrates on the maximisation of ratings by way of game shows, soap operas and formula drama, most of which are instantly forgettable. This being so, the most vital function for the BBC is not to provide imitations but to do what it has always done better than any other broadcaster in the world: "super serve" the intelligent middle-class viewer and listener.

Doubtless we shall be told that this is precisely what they are doing and will continue to do, and that the recommendations following the strategy review will be merely details around the edges. But we have already noted the increase in tabloid television, seen the BBC's willingness to go ambulance chasing, noticed the change in children's programmes from children imitating broadcasters to broadcasters imitating children, and watched glumly as the BBC tried to match ITV's drama ratings hy taking Inspector Morse to France for A Year in Provence. Now a growing body of middle-class viewers and listeners clearly feels that while it wants to keep faith with the BBC, the converse is much

Theatre/Alastair Macaulay

The Duchess of Malfi

have walked around the ruins of the real Duchess of (A)Maifi's palace. Trees and wild flowers grow there now, and the views of the Mediterranean all around the promontory beneath are spectacular. Further down the hillside - astonishing to say - is the hotel where Ibsen finished A Doll's House and Wagner worked on Parsifal, Neither of them would have known Webster's play (c.1613) about the duchess (Giovanna of Aragon in life though unnamed in the play), for it only returned to repertory in 1892. Today, however, we can expect to see a major revival of it about every five years. But when, I wonder, will we ever see Lope de Vega's play on the same subject (EI Mayordomo de la Duquesa de Amalfi), which Webster may have read?

Our latest interpreter of Webster's Duchess is Juliet Stevenson, in a Greenwich Theatre production that is said to be aimed, in due course, at the West End. As always, she manages at the same time to be wholly natural and yet also to be heartcatchingly febrile. She is never locked into one single emotion, but keeps revealing the gripping interplay of contrasting thoughts and feelings. This is most remarkable in her first big scene. when, alone with Antonio, she takes the initiative to woo him and to propose marriage. Here, by turns, she is desirous, hesitant, humorous, eager, imperious, and embarrassed hy her own power. We have already seen the canny but watchful way she has of physically petting her monstrously possessive twin hrother Ferdinand, and how she must kneel to kiss the hand of her senior brother, the Cardinal. Thus the ease she finds with Antonio - at last a man she can command, to his and her delight -

becomes all the more absorbing. But though this Duchess wields power without strain, she has no especial distinction of spirit. Her words refer often to princely rank, and reveal the high refinement of her mind, yet her manner, of action or of speech, reflects no such consciousness. She hrands no lines onto our memory, and she never again shows

such energy as in that early scene. Simon Russell Beale, who plays her quasi-incestuous twin, Ferdinand, sometimes does utter lines with memorable power - e.g. the coolly scornful "Damn her", and the blithely mag-nanimous "You both died in the field" to the brother and henchman he has just murdered in his madness. He brings his role a dark, mordant, lifebating cruelty: a kind of tragic version of Rowan Atkinson's Blackadder. Robert Glenister, as the hanchman Bosola (the play's most complex role), has a certain ferrety meanness. But Bosola is an intellectual. Though he is trying to climb the social ladder by means fair or foul, he shows a clear moral discernment of good and evil, and the temperament to which he reverts is always melancholy: all of which was absent from Glenister's restless, rapid, tight interpretation. As for the Cardinal, Robert Demeger demotes him to the lower middle class. And when he speaks for the first time about Hell - in which this character has so carefully earnt a place - his casual manner makes the

audience laugh. Some of the smaller roles have good moments. I like the integrity of Joe Dixon's Autonio, the intelligence and glamour of Melanie Jessop's Julia, the personable loyalty of Ashley Russell's Delie. But there are several false or inconsistent notes, like Julia's melodramatic gesture in dying and Delio's jollity in the echo scene. Why does the Duchess turn to Antonio so publicly when we know she wishes their marriage to remain unsuspected? Why does Antonio shout at the top of his voice when he is secretly present in her bedchamber? And so on.

The answers lie with the director, Philip Franks. Well, he keeps the play's narrative absolutely taut. He charts everyone's stance precisely. He achieves a variation of tone through out. But too many lines are gabbled or mumbled, and too many scenes are lively without being actually very interesting. Though everyone plays to each other very correctly, it is hard really to believe that these characters all inhabit the same world. Various small cuts (including several minor roles) reduce the play to about three hours and simplify the plot, but they also narrow the scale of the drama. Tom Piper's Elizabethan/Jacobean designs are only superficially attractive; they provide a general sense of time and place, but do little to eighten the play's mood or clarify the production's intentions. By no means a dull evening, it is a surprisingly lightweight one. This Duchess of Malfi is a revenge tragedy without stature and without terror.

Greenwich Theatre until March 18.



Joe Dixon, Juliet Stevenson and Jane Galloway in Philip Franks' new production

Music in London/David Murray

Tippett and Vengerov

ir Michael Tippett's all direction for the whole 90th birthday celebrations continue in dense profusion. Beyond the London Symphony series of homages and the Coliseum's fine King Priam revival (last performance Friday next), there is an overflowing fringe

At lunchtime on Thursday

for example, there was a (free) Barbican concert by the Guildhall School's excellent "symphonic wind ensemble" under Peter Gane. "Mosaic", the first movement of Tippett's Concerto for Orchestra - just post-Prion, and very similar in style - whetted one's appetite for the complete work tonight. A "new" Tippett was stranger. Triumph, a concert-band collation of snippets from his orato-rio The Mask of Time (due at the Barbican on Sunday week), proved in the small print of the programme-notes to have been prepared by Meirion Bowen under the composer's direction".

The snippets, many quite substantial, have been partly re-scored and linked by partly new material - by whom exactly, only Bowen and Tippett know. As Tippett grows ever more ancient and venera ble, the Tippett sub-industry grows more and more prolific Though the result here offered colourful, noisy reminders of the Mask, it was doubtful whether it did anything more. Robert Saxton's new Ring, Time (as in "the only pretty . . . ") was unamhigu-ously a fresh piece, with much of the soft clotted-note radiance that has been a feature of recent Saxton, and a dance section with quasi-Elizabethan echoes - forward- and backward-looking at once, as is his

On Sunday we had Colin Davis, the London Symphony and three of their principal players in Tippett's richly fanciful Triple Concerto of 1979. The solo violin, viola and cello were Alexander Barantschik, Edward Vanderspar and Moray Welsh, all of them characterful and passionate in their several big cadenzas. They helped

enormously to suggest an over-

work. The connections between the teeming ideas, scored for farouche effects, remain pretty intuitive, but as usual with Tippett sound potently convincing while they go on; there were ravishing passages aplenty in this devoted reading. It is all desperately English, and was therefore nicely complemented by Davis's strapping, lusty, brass-heavy account of Elgar's First Symphony.

On the same day, the violinist phenomenon Maxim Vengerov (Siberian-born, not yet 21) made another triumphant appearance at the Wigmore Hall with Itamar Golan, whose pognaciously brilliant insights make it impossible to think of him as a mere "accompanist". He seems a heaven-sent partner for young Vengerov, who tends to apologise for his staggering virtuosity - always kept under restraint until the second halves of his programmes. when he unleashes his fahu lous gifts - by deeply respect-ful, selfless Classical playing in his first halves.

Golan challenges him to do more than that. Here the little Mozart Sonata K.305, for piano with violin accompaniment", got elegantly forward, pointed playing, and Beethoven's "Spring" Sonata fairly crackled with nervy life. We still had to wait until after the interval for Vengerov to seize the bit between his teeth, tearing brilliantly into the Prokofiev Sonata in D (originally for an innocent flute: better thus, I think, but one is not going to argue with Vengerov) and ten of Shostakovich's wry, fantastical op. 34 piano-Preludes in tingling transcriptions by Dmitri

Their encores were of course breathtaking, and sometimes extravagantly funny. In such stuff, Vengerov and Golan are peerless. Some day soon, Vengerov's personal grip on the Classical repertoire will live up to his exuberant standards in frank violin-music, and then he will be memorable indeed. Meanwhile, he is extraordinary

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Royal Concertgebouw Orchestra: ith soprano Barbara Hendricks. ndré Previn conducts Harbison. revin, Barber and Copland; 8.15 n; Feb 18, 19 (2.15 pm) PERA/BALLET at Muzicktheater Tel: (020) 551

Mazeppa: by Tchaikovsky. A therlands Opera production nducted by Harmut Haenchen and ected by Richard Jones.; 7.30 Feb 21

BERLIN

ERA/BALLET utsche Oper Tel: (030) 3 4192 49 Das Rineingold: by Wagner. aductor Horst Stein, production Götz Friedrich; 7.30 pm; Feb 16,

Die Meistersinger von Nürmberg: Wagner. Conducted by Rafael nbeck de Burgos, production by z Friedrich; 5 pm; Feb 19

 Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30

Faust: by Gounod. Conducted by Lawrence Foster/Heinrich Hollreiser/ Jiří Kout, production by Jean-Pierre Ponnelle; 7 pm; Feb 15, 17 Oedipus: by Rihm. conducted by Peter Keuschnig, produced by Götz Friedrich; 7 pm; Feb 21 (7.30 pm)

LONDON

CONCERTS Barbican Tel: (0171) 638 8891 Tippett: Visions of Paradise: Sir Colin Davis conducts the London Sinfonietta with planist Stephen Kovacevich and soprano Fave Robinson to play Beethoven and Tippett's, 'Symphony No 3'; 7.30 pm; Feb 17

 Sorry I Forgot Valentine's Day: if you missed Valentines day, Paul Wynne Griffiths conducts the London Concert Orchestra and pianist Sarah Beth Briggs to play another evening of romantic ssics; 7.30 pm; Feb 18 Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra in a programme that includes a world premiere of Tippett's, The Rosa

Lake'; 7.30 pm; Feb 19 Festival Hall Tel: (0171) 928 8800 Novosibirsk Philhermonic Orchestra: with planist Paul Crossley and bassist Anatoli Saffulin. Amold Katz conducts Prokofiev, Shostakovich and Rachmaninov, 7.30 pm; Feb 20 Tate Tel: (0171) 687 8000

Willem de Kooning: a major

National, Olivier Tel: (0171) 928 The Merry Wives of Windsor; by Shakespeare. Terry Hands directs

exhibition featuring over 70 paintings drawn from private and public collections worldwide; from Feb 18 OPERA/BALLET

English National Opera Tel: (0171) 632 8300 King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the

composer's 90th birthday; 7.30 pm; Feb 17 Madama Butterfly: Puccini's opera, originally directed by Graham Vick, 7.30 pm; Feb 16 Rigoletto: Jonathan Miller's updated version of Verdi's opera

where the duke is a mafia boss; 7.30 pm; Feb 15, 18 Royal Opera House Tel: (0171) 340 Der Rosenkavaller: by Strauss. Conducted by Andrew Davis, directed by John Schlesinge

Soloists include Felicity Lott/Anna Tomowa-Skitow as Prinzess von Werdenberg; 6.30 pm; Feb 15, 20 La Bohémer by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copiey. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta; 7.30 pm; Feb

16, 21 The Prince of the Pagodas; by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opens. 7.30 pm; Feb 17 THEATRE

John Florer, 8 pm; Feb 17 Simon Boccanegra: by Verdi. A new production directed by Giançario del Monaco.; 8 pm; Feb

his first production at the National. With Denis Quilley as Faistaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mist Ford; 7.15 pm; Feb 16, 17, 18 (2)

Shaftesbury Theatre Tel: (0171) 379

 The Three Lives of Lucie Cabrol: adapted from John Berger by Mark Wheatley and Simon McBurney, who also directs. Theatre de Complicite presents this violent love story; 7.30 pm; to Feb 25 (Not Sun)

■ LOS ANGELES

CONCERTS Dorothy Chandler Pavilion

Tetzlaff plays Beethoven: Esa-Pekka Salonen conducts The Los Angeles Philharmonic with violinist Christian Tetzlaff to play Beethoven, Schoenberg and Sibelfus; 8 pm; Feb 15, 17, 18 (2.30) pm), 19 (2.30 pm)

■ NEW YORK

OPERA/BALLET Metropolitan Tel: (212) 362 6000 Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zeffrelli, conductor Christian Bades: 8 ont. Feb 16

 Il Berbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 18 (1.30 pm)

La Traviata: by Verdi, Produced by Franco Zeffirelli, conducted by

 Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santt, 8 pm; Feb 15, 18, 20 PARIS

CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 Orchestra of the Champs Elysées: with soprano Soile Isokoski, alto Birgit Remmert and tenor James Taylor plays Beethoven under the irection of Phillips Herreweghe;

8.30 pm; Feb 15 Opéra National de Paris, Bastille Tel: (1) 47 42 57 50 Myung-Whun Chung: conducts the orchestra and choir of the Paris National Opera to play Beethoven; 8

om: Feb 21 GALLERIES Galerie Schmit Tel: (1) 42 60 36 36 From Delacrotx to Matisser exhibition including the works of Detacroix, Matisse, Picasso and

Georges-Pompidou Tel: (1) 42 77 12 33 Kurt Schwitters: exhibition of works by the German Dadaist; to Feb 20 Musée Cernuschi Tel: (1) 45 63 50

Degas; to Apr 13

 Japan, Tastes and Tranquility: The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony, to May 14 (Not Sun) OPERA/BALLET Châtelet Tel: (1) 40 28 28 40 King Arthur, music by Purcell. A William Christie and Graham Vick production; to Feb 19 Opéra Comique Tel: (1) 42 96 12 20

Lakmé: by Delibes. Conducted

by Frédéric Chaslin and produced

by Gilbert Blin; 7.30 pm; to Feb 18 Opéra National de Paris, Bastille Tel: (1) 47 42 57 50 La Damnation de Faust: by Berlioz. Conducted by Myung-Whun

Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 15, 18, 20 Lucia di Lammermoor, by Donizetti. A new production by Andrei Serban, Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera;7.30 pm; Feb

■ WASHINGTON

CONCERTS Kennedy Center Tel: (202) 467

4600 Choral Arts Society of Washington: Norman Scribner conducts Menotti and Williams'

'Dona Nobis Pacem'; 8.30 pm; Feb Royal Phitharmonic Orchestra:

Conductor Yuri Temirkanov with pianist Eliso Virsaladze plays Britten, Prokofiev and Stravinsky, 3 pm; Feb

OPERA/BALLET Washington Opera Tel: (202) 416

7800 Semele: by Handel. Conductor Martin Pearlman, Roman Terleckyj directs a Zack Brown production; 8 om: Feb 15 Vanessa: by Şamuel Barber. Director Michael Kahn, conductor

19 (2 pm)

Christopher Keene: 8 pm; Feb 18.

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the European Union over how much aid to earmark for the 70 developing countries

involved in the Lome Convention looks at first sight like the usual uninspiring spectacle of a bicker ebout money. It is, of course - but it may also be an indication that the Union is at the point of a shift away from its traditional associates in the developing world, towards newer relationships closer to

First, some facts. For the current five-year programme, the EU member states have put up Ecu10.9bn (£8.65bn) in aid. For the next five-year programme, the European Commission proposed a 30 per cent increase to keep pace with inflation, to a new total of Ecul4.3bn. But last week, Germany, the UK and others blocked the proposal on the grounds of cost; some even intimated that they wanted to contribute less this time, not more. The Council of Ministers will make another attempt at settling the matter today, because it has a formal meet ing with the Lome countries

Each government gives a different reason for not wanting to put so much into the pot. The Germans say they have reached their financial limit with the help they are giving to eastern Europe; the British say they too are stretched for resources, and that extra Lomé spending would squeeze out higher-quality bilateral British aid projects; and so on.

Undoubtedly, any European government making an effort to curb its domestic budget deficit to achieve the criteria for economic and monetary union set out in the Maastricht treaty, is bound to be in a budget squeeze, Constraints on aid are general throughout the industrial world, as OECD figures show.

In principle, EU governments should have a special commitment to the Lome programme, because this is part of the European heritage which goes hack to the founding Treaty of Rome. If they are digging their heels in, has this anything to do with the quality of the programme itself? It attracts criticism because it is not included in the EU budget and is therefore beyond partia-

Shifting strategy for aid

EU priorities are now eastern Europe and the Maghreb

mentary scrutiny. But in terms of effectiveness, some experts claim that it is comparable with other multilateral aid programmes: not as good as the best, less good than British bilateral aid, but better than Italian bilateral aid.

If the programme has induced fatigue among European donor governments, is it partly because e majority of Lome spending goes to sub-Sa-haran Africa? This is where there is so much poverty and so much need; and some European governments feel, or at

The real reason behind the shift is neither budget squeeze nor donor fatigue

least should feel, e special responsibility towards their former colonies. Unfortunately, the results of aid in Africa remain deeply depressing, either because the basic eco-nomic and social conditions are so terrible and intractable, or more often because so many deplorable African governments behave in ways thet make them much worse.

Cumulatively, these factors offer a compelling explanation why some EU member states bave been digging in their heels over funding aid to the Lomé countries. Yet those same governments have been rapidly expanding other forms of development aid spending. on a scale that will soon overtake the Lomé programme.

Since 1990, foreign development and assistance spending in the European Union budget (that is, on top of the Lome budget) has risen from Ecu2bn to Ecu4.8bn in 1995. According to projections agreed at the Edinburgh summit two years ago, it will reach a ceiling of Ecu6.2bn in 1999. Over the coming five-year period, total foreign aid spending in the EU budget is scheduled to be over Ecu27bn - nearly twice the amount originally proposed by the Commission for the Lomé

About a quarter is going on food or humanitarian aid and about 13 per cent to Asia or Latin America. But the big programmes are eastern Europe and Russia (about a third), with another 10 per cent going to the Mediterranean.

The real reason behind the shift away from the Lomé countries, it seems, is neither budget squeeze nor donor fatigue, but a change in strategic objectives. The new priorities may never have been explicitly spelied out and agreed by the member governments. But it is hard to resist the conclusion that they are the reflection of the priorities we can observe in practice.

Union is starting to respond to two new strategic imperatives: eastern Europe and the Maghreb. Eastern Europe is a German imperative, because Germany is at the eastern frontier of the Union, and neither Germany nor its European partners can contemplate the idea of instability in eastern Europe. The civil war in Algeria guarantees that the Maghreb will be an imperative for France, as well as for its European neighbours on the

In reality the European

When President François Mitterrand of France floated his proposal that the EU should host an international conference on Algeria, the Algarian government was enraged and the French government dismissed the idea. Perhaps he was just making mischief – as usual. But maybe be was making a serious point: that the dangers inherent in the Algerian war are too great for France alone to handle.

Either way, it seems clear that events are compelling the EU to take more seriously the risks and responsibilities of being an Increasingly important regional power. Development aid to the Lomé countries is a political and moral duty. But a serious policy of support and influence towards the Union's "near abroad" in eastern Europe and the Mediterranean is becoming an unavoid-

able strategic necessity.

Michael Heseltine, the UK trade and Indusis visiting India this week followe on the beels of Mr Ron Brown, the US commerce secretary. Each is leading a drive to win international orders for his country'e companies – Mr Brown flew home last month claiming that his trip had all but sewn up \$7bn of Indian business for the US.

The use of government influence and ministerial visits to win foreign business is increasingly common in Latin America, the Middle East and Asia especially in India's big but difficult market of 900m people. Both the US and the UK ded-

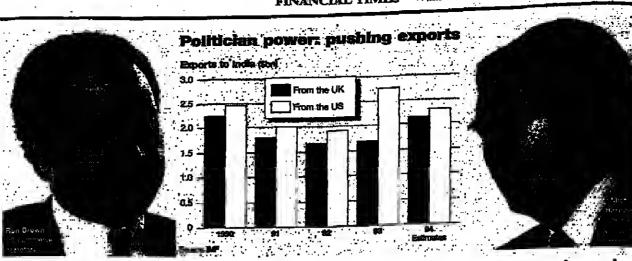
icate substantial resources to the strategy. Of a total annual nearly \$3.5bn (which includes export subsidies, finance and insurance), the US spends some \$300m on information. advice and "government-to government advocacy" for US business. The UK government plans to spend about £60m (\$93m) annually on export promotion over the next three ers sertifues out off great convinced that it is often only governments thet can break through the bureaucratic barricadee impeding trade and

Export promotion has become the defining issue of Mr Brown's department and a priority for the Clinton administration. "Commercial engage-ment" is at the heart of US foreign policy in the post cold war period. Mr Heseltine - enthusiasti-

cally backed by Mr John Major, UK prime minister heads a trade and industry department rededicated since his eppointment in 1992 to improving Britain's competitiveness and to helping it win India has become a prime

target for US and UK trade offensives. The potential market is very large, the economy has recently been liberalised, and the country has an educated, English-speaking middle class, Indian politicians and businessmen from Bombay to Calcutta are accustomed to receiving groups of optimistic US and UK businessmen. The visitors are looking for Indian partners with whom to bid for work in everything from power stations to telecommunications and financial services.

Little diplomatic effort is pared by either country. Since Mr Major visited India in 1993, Mr Douglas Hurd, UK foreign secretary, has used the royal yacht Britannia as a platform



The US and UK governments are trying to help companies win business in India, say Nancy Dunne and Michael Cassell

Big brother lends a hand

British week in Bombay, and Mr Richard Needham, the trade minister, and 85 business executives went on chartered flight of Concorde, the supernic aircraft, to make a tour

On the US side, Mr Brown, ccompanied by 25 business leaders, began his recent trip with an inspired piece of thea-tre. He visited the site of Mahatma Gandhi's cremation on the birthday of Gandhi's most famous disciple: Martin Luther King. In case anybody missed the message that the IIS and India were emotionally linked, he pointed out that both countries had also been

colonies of Britain. Such competitive tactics have been noted by the UK. "The US has an increasingly aggressive export strategy and they ruthlessly use their politi-cal muscle," says Mr Needham. "It is not realistic for us to tackle them head on. We have to be more subtle than that ... In any case, India is big enough for both of us."

So far - for the US at least the aggressive tactics seem to be paying off. US companies have landed seven out of eight Indian contracts for big "fasttrack" power generation projects; and US West became the first privately operated telecommunications company to invest in Indian telecommunications services.

During Mr Brown's visit last month, Motorola signed three letters of intent to build cellular telephone networks in Calcutta, Bombay and New Delhi. American International Group

From Mr Nigel Walmsley. Sir, Stephen Dorrell, secre-tary of state for national heri-

tage, may be right that

long-term protectionist barri-

ers will not improve the com-

petitiveness of the European film and television industry

("Why quotas inhibit develop-ment", February 13). But what

can be done to give European

media companies a better chance to compete with large

US groups armed with massive

programme libraries, strong income streams from their

home base and e hunger to

expand in European markets?
Politicians could begin by disentangling the complex web

of ownership restrictions in Europe that fragment our industry and inhibit growth. In

the UK, the restrictions in the

Broadcasting Act prevent ITV companies from running satel-

lite channels, create an artifi-

cial distinction between broad-

casting and production and

keep the various media - tele-vision, radio and newspapers -

at arm's length from one

another. Elsewhere in Europe media ownership rules vary

from country to country. UK companies need to imitate their US competitors and

end to web of curbs

understanding with the Tata conglomerate jointly to enter the Indian market once insurance and financial services are liberalised. Smaller companies

The US Department of Com-merce has identified India as one of 10 so-called "big emerging markets". Each day its new "advocacy centre" tracks the procurement projects around the world - 30 of which are in India. The department also co-ordinates efforts to speed up the granting of licences and approvals by the Indian bureaucracy. By 2000, the commerce department

of new US investment in **Ministerial visits** designed to win India and forecasts a rise foreign business in US exports are increasingly \$5bn-\$6bn annually, up common from \$2.3bn

The British government is watching the US push with interest. But UK ministers are not impressed by US claims that billions of dollars worth of deals have been signed since India launched its liberalisation in 1991.

"It all depends on what signed up means," says Mr Brian Willott, chief executive of the Export Credits Guarantee Department in London, who explains that contracts are not firm until paperwork and financing is all tied up. "I rather suspect this is the beginning of that process as far as the US is concerned and in India the process can be slow."

achieve the critical mass In

their home markets necessary to take greater risks in funding

new productions, expand their

programme libraries and

develop new channels and

delivery systems. Current reg-ulations work against this.

to imports will grow.

grown programmes. The stron-

ger they are in their own home

markets, the more they will be able to reinforce that commit-

ment. Allowing home-based

companies that invest in the

production base to grow is the

best way to promote both UK commercial interests and those

of UK consumers. Nigel Walmsley, chairman,

Political union will follow

Carlton UK Television, 101 St Martin's Lane, London WC2N 4AZ, UK

In the past two years, more than £2bn worth of work has been agreed between UK and Indian companies. Well-known names such as Rolls-Royce, British Gas, Taylor Woodrow and Costain have been joined by much smaller enterprises: while British Gas has signed a deal to bring natural gas to Bombay, Checkpoint Security Services, a small Readingbased company, has signed an agreement to distribute its cheque security products

throughout India. The Department of Trade and Industry says it has 600 Anglo-Indian joint ventures on its books at present and that its database of

UK companies doing business in India has risen in two years from 90 to more than 4,000.

> Hunt, head of the Indo-British Partnership in the UK, the part of the DTI that co-ordinates government and private sector efforts to identify and exploit business opportunities in India, says that UK standing investment there has risen by £1bn in the past three years, taking tha total to £3bn. He estimates that there is another £3bn of investment already in the pipe-

Mr

Frank .

Developments in the balance of trade, however, are less impressive. After years in which a substantial trade balance persisted in the UK's favour, the two countries are almost level. Final figures for

THE EDITOR

exports to India rose by more than £200m to £1,40n, with India achieving a similar performance. Mr Humt is confident the figure will soon turn again in Britain's favour. Despite its own, chequered

history in India, Britain believes it is politically more acceptable there than the US. which was an ally of Pakistan during the cold war. "Indians value the [UK's] historic ties with India, but they also know e are not back to rebuild the Raj; we are sensitive to Indian history which works to our advantage," says Mr Needham. Efforts to instil pro-British

elings in the next generation under way; one plan is to divert to the UK the young Indians who currently choose to go to the US for business

Mr Heseltine, pausing briefly in London after returning from a trade visit to Japan and before his expedition to India rejected the idea that the increasingly global predilection for government-backed trade missions and export pro-motion campaigns was fashionable but ineffectual.

Government, he believes, is obliged to play an increasingly national export effort. Harold Macmillan [the former UK prime minister] got it completely wrong when he said 'exporting is fun'; it's a long, hard grind and those taking part are deadly serious about winning business. All the evidence is that they are

FINANCIAL TIMES

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INDIA'S ECONOMIC RENAISSANCE Name Mr/Mrs/Miss/Ms/Other

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From Dr John Murray and Lord Harris of High Cross. Sir, Your equivocal leader, "UK's role in Europe" (February 10), simply compounds the confusion that Kenneth Clarke,

the chancellor, has created. Voters in every independent poll have shown they want par-liament to preserve the UK's ability to govern itself, which must mean -retaining such financial instruments as exchange and interest rate flexibility. Mr Clarke's denial that polit-

ical union is a necessary conse-quence of monetary union - as you half agree - is both economically naive and politically disingenuous. For once, on this one issue, Sir Edward Heath is undoubtedly right.

But rather more authoritatively, Dr Helmut Schlesinger, when president of the German Bundesbank, proclaimed the predominant European view

Harris, Hadley Wood, Herfwishire, UK

(December 17 1992) as follows: "Monetary history is not familiar with permanent union without the cover of political union. ... He described a currency union as "an indissolu-ble joint community, which experience shows needs an ongoing commitment in the shape of a comprehensive polit-

ical union for its continued

Against such an explicit declaration, repeated by European leaders and enshrined in the Masstricht Treaty, Mr Clarke's musings count for nothing. Are we alone in regretting the Financial Times has not given politicians and businessmen a stronger lead? John Murray, Vernon Lodge,

St Annes on Sea, Lancashire,

स्त्रांचामाट**ः**"

European TV needs | Share options best means of ensuring commitment

Sir. Contrary to your view

Number One Southwark Bridge, London SEI 9HL We are keen to encourage letters from readers around the world. Letters may be faced to +44 171-873 5938 (please set fox to 'fine').

Translation may be available for letters written in the main international languages.

> that they offer little management incentive or inducement to loyalty ("Risk-free option for directors", February 13), I believe that share options are the most worthwhile of all provisions for performance beyond that for which salaries are paid.

Mr Dorrell is right that good home produced programmes are more popular than As inducements for commitimported ones, but they are ment to the company ("loyalso more expensive. If we hold alty" cannot be bought), their back television in the UK, our constrained ability to be encashed, inside e period nor-mally of not less than three production base will become weaker and our vulnerability nor more than 10 years after Whereas US producers have grant, makes them superior to little commitment to European production, indigenous Euroany other shorter-term cash payment such as an annual

pean broadcasters have every interest in fostering home As genuine incentives for performance by management as distinct from the individual and, at the same time, marry-ing with the share price related interests of charcholders, I know of none better. To casually dismiss the

effect of e fall in share price as the mere loss to an employee

Surrey CR6 9JG. UK

tional performance have flaws and much effort, academic and practical, is devoted to their perfection.
But "the best" can be the enemy of "the good", particu-larly when the latter is a welldesigned, widely available share option scheme. It will not, as in your words, "fail the key test. . that the interests of the shareholders and managers

option holder of a potential

profit opportunity, compared

with a potential loss by a risk-

aware investor, is to misunder-

stand the reward-related intent of all bonus schemes for the

employee whose comparable

downside risk could be his

All schemes aimed at mea-

suring and rewarding excep-

very livelihood.

should be as closely aligned as possible"; indeed, it will pass that admirable test with high marks. Owen Green. Edgehill, Succombs Hill,

Privatisation to cut waste

From Zia Rahman, Balázs Váradi and Ferenc Kovács Sir, Dr B R Orton and Ms D A Vorsatz (Letters, February 8) disparage your criticism of the elow-down in Hungarian privaenowhown in hungarian priva-tisation, especially in the energy sector. Energy wastage is clearly one of the least desired legacies of the old sys-tam. Orton and Vorsatz hold that it is the new government's job to set this right, and if this means delaying privatisation, so be it. We think they are utterly

mistaken. One of the main reasons why the government is dragging its feet is for fear of the political repercussions: pri-vatisation would imply a fur-

power generation is to be attractive to investors. Aban-doning price subsidies would effect more economical use of energy. Nothing will discourage waste more than higher prices. For this reason, anyone who wants to see less energy wasted must call for privatisation without delay. Zia Rahman, Balázs Váradi, doctoral candidates, Department of Economics, Ferenc Kovács, M.P.P.M. candidate,

ther rise in utility prices if

School of Management, Yale University, Connecticut 06520-1972, US

A bigger incentive, surely

From Mr Aurian de Maupeou.
Sir, Surely Stefan Tangermann and Tim Joeling put it upside down when writing in their article. "Opportunity to reform the CAP" (February 9), ...with lower subsidies for the products, the incentive to over-produce is reduced".

If these gentlemen were paid less per page published, would they not immediately increase either the number of reports, or the number of pages per report? Or both? Aurian de Maupeou, 2 Bishops Close, Chiswick, London W4 4JA, UK

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday February 15 1995

Future of the CIS

The Bolsheviks attacked the Tsarist empire as "the prison-house of nations". Then they set up their own harsher and more centralised version and called it the Soviet Union. Few tears were sbed when it disintegrated in

December 1991. But its demise left a vacuum. Leaders from the Slav-populated successor states met in Minsk, the Belarus capital, before the union died to replace it with a loosely defined Commonwealth of Independent States (CIS). The latest CIS summit in Alma Ata, the Kazakh capital, over the weekend, indicates that the grouping is still struggling to define its role. That is no bad thing.

The CIS has been controversial from the beginning. The Baltic states, which declared their inde-pendence shortly after the failed August 1991 coup, have never wanted anything to do with it. The Ukrainians joined reluctantly, with the intention of keeping it toothless. The Kazakhs, and other central Asians, were indignant at their initial exclusion on thinly disguised ethnic lines grounds. Armenia, at war with Azerbaijan over Nagorno Karabakh, has never joined, while Azerbaijan, under its restored Soviet era leader, joined belatedly in the bope of Russian help in its strug-gle to retake Karabakh. Georgia too acceded reinctantly, as the price demanded by Moscow for calling off its clandestine military

assistance to separatist Abkhazia. After three years, views on the future role of the CIS are as diverse as ever. Modernisers. broadly defined, imagine the future of the CIS as an eastern version of the European Union, a free association of states agreeing to pool elements of sovereignty in the common weal. At the other extreme are those who dream of

restoring the Soviet empire. The fundamental problem for the CIS is that Russia remains too big and powerful to be just tempted to exert its influence, particularly on behalf of the 25m ethnic Russians in the newly independent states. Powerful lobbies in Moscow also see the CIS as a cheap route to maintaining indirect control over the energy and mineral wealth of central Asia. Nostalgia for the imperial past is not confined to Russia, however. The CIS concept also has attractions for mexperienced lead-ers of newly independent repub-lics who feel isolated and remain anxious to maintain linkages both with Moscow and with each other. Not dissimilar thinking lay behind the formation of the British Commonwealth, which served as a post-imperial model for the CIS founders. But the contiguous Soviet Empire was more inter-twined (and much more central to Russians' conception of themselves) than the far-flung, maritime British Empire ever was. Russia will always take a special interest in the affairs of its neigh-

Unfortunately, the Soviet system defied economic rationality, saddling the Eurasian landmass with hopelessly uneconomic plants linked by irrational transport, snpply and marketing arrangements. The top priority for both Russia and the other the CIS states is, therefore, to reform their economies and atrengthen their fledgling democracies, while pro-viding a framework within which private businesses can re-establish productive economic ties.

The failure of the latest CIS

bours, the Baltic states, Belarus, Ukraine and Kazakhstan.

summit to promote closer political and economic integration implies that member states remain more interested in freedom to pursue perceived national interests than in strengthening an ambiguous and flawed supranational body. To an extent, this is sensible. It is certainly understandable, particularly after Moscow's bungled military operation in Checknya, that other states are wary of Russia's

persistent urge in dominate. Nevertheless, all parties would benefit from turning the CIS into a mechanism for rational economic and political co-operation among the lands of the former has to demonstrate its willingness to be a law abiding primus inter pares over a buge area where its but must not be pursued at the expense of everyone else.



Edonard Balladur looked confident this week, as he launched his presidential programme under the motto "Believing to France". Ha cer-tainly believes he is likely to win the French presidency on May 7. So do majorities in the

April 23/May 7 his cabinet, many of whom turned out on Monday for the prime minister's first campaign But Mr Balladur seems aware of

the danger of complacency. With more than two months still to go before the first round of voting on April 23, the front runner felt impelled to fire off a broadside of detailed proposals at his rivals.

French politics are a messy and unpredictable business. This is par-

ticularly true of presidential races where the uncertainties are multi-plied by weak party structures, fickle political loyalties and, this time, the plethora of at least 10 can-didates vying for seven years in the

Mr Balladur appears certain to figure in the May 7 run-off between the two leading candidates from the first round of voting. The main question is whether his opponent will be Mr Jacques Chirac, his fel-low Gaullist, or Mr Lionel Jospin, the newly nominated Socialist can-

But there are at least three sources of uncertainty. First, opinion polls show there has been a recent rise in the number of undecided voters, with the proportion fluctuating between 20 and 50 per cent. This is probably the legacy of the "non-candidacy" of Mr Jacques Delors, the former European Commission president, who recently ruled himself out of the race. While there was a prospect of him run-ning, Mr Delors drew support from virtually all camps of mainstream

French politics.
Second, each of the three main candidates faces a real or threatened challenge from within his own camp. This is in addition to the traditional bids of the hard right and left, represented by Mr Jean-Marie Le Pen of the National Front and Mr Robert Hue, the Communist

Mr Chirac has Mr Philippe de Villiers, the anti-Maastricht conservative dissident, fishing for votes in what he would normally regard as

his electoral waters.

Mr Jospin'a problem is that Radical, the Socialists' traditional ally which has been revived by Mr Bernard Tapie, the mayerick businessman, may run its own candidate.

Every man for himself

The battle for the French presidency is proving messy and unpredictable, writes David Buchan



bankruptcy and disqualification.

Mr Balladur may also be challenged. In spite of the wholesale defection of the UDF centre-right party to the prime minister's cause, both Mr Valery Giscard d'Estaing, the former president, and Mr Ray-mond Barre, are still considering

Mr Barre - a free-wheeling independent who served as Mr Giscard d'Estaing's prime minister between 1976 and 1981 - has said he will decide by the end of this month whether to mount a challenge. If he does, be will take some support away from Mr Balladur. A third source of uncertainty

affects Mr Balladur alone. It is the prospect that serious disorder could break out in a government wracked by presidential rivalries. There are few topics these days on which it is unified and disputes are increasingly frequent.

The election issues themselves

are muddied by the lack of clear party platforms binding the candidates - a situation prevailing for sound practical reasons.

Win a p

alone. Coalitions therefore have to be created. And strange creatures these coalitions can be. The Balladur camp contains odd bedfellows such as Mr Charles Pasqua, the hardline interior minister, and Mr Pierre Méhaignerie, the liberal justice minister. But it is less eclectic than the pro-Chirac partnership between Mr Philippe Seguin, the National Assembly president who wants to find ways of ordering companies to employ the jobless and Mr Alain Madelin, enterprise minister, who sometimes gives the impression he regards the European Monetary System as an intolerable restraint on market forces.

Nonetheless, a number of broad election issues have emerged. They do not entirely correspond to the triple motto that Mr Balladur this week set for his campaign - "equality of opportunity, liberty and Europe". But as both the incumbent prime minister and tha front-running presidential candidate, Mr Balladur can to some extent set tha election agenda.

Mr Balladur's overall manageomy is not con-

Dose of financial morphine for Mexico

nents. The economy is growing again, at an annual pace of more than 3 per cent, Real interest rates remain high, pegged to Bundesbank levels, but no leading candidate is campaigning to return monetary policy from the Bank of France to the government. Similarly, there is a consensus on the need for some reduction in the budget deficit and some reform of the welfare system. Mr Balladur may believe taxes will have to be raised after the election, but neither be nor his rivals

are going to wreck their electoral chances by proposing that now. Indeed Mr Balladur hints at a cut in the rate of income tax in return for widening its base. Nor is privatisation a serious bone of contention.

The principal economic issue is France's chronic tendency to generate fewer jobs for a given increase in economic growth than its partners. Mr Balladur's main solution is to continue to reduce the employment disincentives of high welfare charges on company payrolls by shifting these charges on to the Taple himself, who faces possibla election on the support of his party tested by his mainstream oppowant the state to intervene more that.

directly to put more of the country's 3.3m unemployed back to work. Mr Jospin's main solution is to reduce the 39-hour standard working week to create new jobs.

The debate on shortening the presidential term, with Mr Balladur favouring a single seven-year term and Mr Jospin calling for renewable five-year terms, has caught the headlines. But there is oo real heat in it. The consensus that French voters should be able to call their presidents to account more frequently has been growing for the past 20 years and has been reinforced by Presideot François Mitterrand's 14 years in office.

By contrast, the burgeoning polit ical and financial scandals of recent years and months have stirred real controversy over the proper relationship between politicians, magistrates and police.

Il the main candidates -the two Gaullists and the one Socialist - must tread warily here because of their parties involvement in these scandals. But the latest row over police tapping of the phone of a magistrate's father-in-law has created a vulnera bility in the Balladur camp. This in turn might tilt Mr Barre, who has been railing against declining stan-dards in French public life, into

So far, the response of most leaders of the UDF federation, which would otherwise be Mr Barre's natural constituency, is that there is no room for him in the presidential race (as there clearly was in 1988, when Mr Barre won a respectable 16.5 per cent of the vote).

The UDF leaders argue that Mr Balladur is already carrying the standard for the "European, liberal and social" policies, dear to them-selves and Mr Barre. This is certainly true for European monetary union, which Mr Balladur affirmed again this week that he wanted to see "as rapidly as possible; ... if possible by 1997".

This enthustasm for Emu-by-1997

may appear to jar with Mr Balla-dur's self-styled "pragmatic" approach to European integration and his refusal to countenance the new taxes that may be essential to bring the budget deficit within the Maastricht convergence criteria by 1997. But, even if he is privately sceptical, he has good reasons for declaring publicly his belief in early Emu: it maintains downward pres-sure on France's deficits; it keeps the UDF happy and it reassures the financial markets.

Mr Balladur said this week he was providing a relatively detailed programme so that be could not be accused of spouting only "big words and bollow promises". He still has a

Power bids

The risk that the government'a current weakness could lead to serious erosion in the rigour of UK competition policy has alwaya been real, given the availability of the nebulous "public interest" criterion in assessing takeover bids. Trafalgar House's proposed offer for Northern Electric thus presented Trade Secretary Mr Michael Heseltine with an important test. The direct competition questions involved are negligible. Yet the issues at stake in conglomerate ownership of utilities are such that it would have been easy to declare this a special case. Mr Heseltine's decision not to

make a reference to the Monopolies Commission looks sensible, given the assurances provided by Trafalgar over co-operation with the energy industry watchdog,

tion for any transgression, a combination of publicity and the threat of a future MMC investigation should be sufficient to ensure that Trafalgar toes the lina on the provision of information, and the management of the elactricity company's cash flow within the group, if the bid succeeds.

Yet the decision to submit the

Offer. While there is no legal sanc-

sector to the rigours of the capital market raises another question. Fee-bungry merchant bankers may now crank up their industrial clients to exploit a window of opportunity before a possible Labour government can change the rules. Whether the resulting scramble will produce the most rational possible structure for the electricity supply industry is, in a

Britain's borders

The dispute about immigration policy kindled by the weekend resignation of Mr Charles Wardle, a UK trade minister, has all the ingredients of a classic British Euro-row. On one side stands the British government attempting, at least in the eyes of some parts of the UK press, to safeguard Britain against welfare-seeking immigrant hordes. In the opposite corner is the European Commission, apparently dragooning Britain into opening its borders against its will.

Some facts have been misrepresented. There is nothing new in Britain's divergence with its European partners over border controls. Yet it is the Commission oot Britain - that is now being taken to the European Court over the matter. The action has been launched by the European Parliament, which accuses the Commission of failing to implement the 1986 Single European Act set up to ensure "free movement of goods. persons, services and capital".

The act also embodies a declaration allowing EU states to take "necessary" measures (including border controls) to counter activities like terrorism and drugs smuggling. Under pressure from the parliament, the Commission plans to introduce a directive this year to enforce free movement of people. However, the directive's fate will depend on the Council of Ministers, in which Britain can use its veto. There is, in short, no imminent threat to Britain's right

lo passport controls. The latest supposed Brussels onslaught on UK sovereignty may be less serious than many think. But the controversy could deflect attention from the real issue: whether the full benefits of the single market can be realised when some EU members maintain frontier controls.

The question is a sensitive one not only for Britain - above all the EU's external borders will be secure against illegal migrants. Largely reflecting these worries, minded members have been slow France and the Benelux countries seven EU signatories of the Schengen treaty will eliminate controls from next month. At the urging of France, the Schengen member gration, the controls will be phased out over three months.

As an island with a limited number of entry points, Britain finds it more convenient than mainland EU members to maintain frontier controls. However, the whole EU will soon be able to judge whether the Schengen treaty really does exacerbate welfare abuses or, more seriously, cross-border crime. If effective international co-operation can be implemented to counter such activities and also to police EU external frontiers, the experience of open Euro-borders is likely, over time, to encourage Britain to

In coming years, British and other European travellers will cross most EU borders without experiences, more than precipitate action in Brussels, should help to convert the British to the benefits of dismantling border controls.

because of doubts about whether even the EU's most federally to lift internal controls, as they had originally been scheduled to to January 1993. Led by Germany. most anxious about illegal immi-

become part of Schengenland.

passports, yet will have to show them at Dover or Heathrow. Such

The Clinton investors, they face endless negotia-administration's tions with a consortium from the \$52bn Mexican guarantee programme has provided temporary calm to that watching. country's chaotic

PERSONAL financial markets. VIEW But it offers no assurance of lasting success. A private, market-based solution is preferable because it avoida spreading the risk of default to all US taxpayers. It would also force Mexico's debt holders to take responsibility for restoring financial

discipline and for the long-term stabilisation of the peso. The current programme - which is both boldly conceived and unprecedented in scope - has transformed Mexico Into a depository institution because tha US governthe country's debt. The US now has a direct claim over the Mexican government and an indirect claim over Mexican financial institutions.

By accepting this massive inter-vention, Mexican officials are on a slippery slope. Instead of dealing with a multiplicity of private

US State and Treasury Departments, the International Monetary Fund and the Bank for International Settlements - with Congress

This is a bad development. The longer the guarantees are outstanding, the more likely they are to anaesthetise Mexican officials to the fiscal standards required by the international capital markets. The bailoot could also impair the

liquidity of other emerging debt markets. A two-tier market may develop, distinguishing between those sovereign debts that are likely to be bailed out by the US and those that are not. Private investors holding debt in the second of these two categories may be forced to sell their securities. Some investors could incur substantial losses. Most

will be reluctant to return to those markets without a US guarantee. In considering how a marketbased solution should be structured, we need first to identify the origins of the Mexican debt crisis. It arose from a temporary inability to fund short-term, fixed-income dollar process. But we contend that the

securities - tesobonos - after hard guarantees organised by the US currency reserves were depleted in an abortive effort to support the peso. Yet the assets Mexico can liquidate over the intermediate term exceed the issued debts.

This means that, if maturities of all \$28bn of tesobonos due to mature this year were staggered so as to repay \$5bn a year from 1996 on, there would be no debt crisis. Those

The authors of the guarantee programme are prolonging the crisis not containing it

extended principal payments could be met, along with punctual payment of interest.

The proven way to accomplish this - and the one we recommend is to encourage existing investors to exchange their short-term securities for bonds with a longer maturity. Critics might argue that a privately negotiated exchange offer is a risky

government amount in an injection of financial morphine. The eyes of central bankers and tesobono-bolders are temporarily glazed over with relief. However, without realising it, the architects of these guarantees have sent an unfortunate signal by confirming that private investors oeed no longer rely oo hitherto active Mexican capital markets for liquidity. By contrast, the announcement of

an exchange offer in line with our suggestion would create a climate in which investors could rely on each other not to become panic sellers. This is because the minimum value of their investments would have been made clear. We believe virtually all holders would accept the offer both because of the adverse consequences if it did fail and the tempting rewards if it was successfully completed.

Once the market recognised that the offer would succeed, enormous pressure would be taken off the peso. And once it was completed, Mexico's credit rating would be reaffirmed. However, investors would probably demand bigher them for the risk that history could repeat itself, resulting in six-month securities being turned again into securities with a longer maturity. The key point is that despite a very scary ride, Mexico's capital

markets could prove their viability without outside intervention - to the benefit of all emerging markets. By spending \$28bn unnecessarily on redeeming tesobonos due this year, instead of holding the money in reserve, the authors of the current guarantee programme are prolonging the crisis rather than containing it. Speculators might start to wonder what would happen if the guarantees were exhausted. That could trigger the scariest ride of all.

Peter Ackerman and James A. Dorn

Mr Ackerman is managing director of Rockport Partners and former head of international capital markets of Drexel Burnham Lambert. Mr Dorn is vice-president for academic affairs at the Cato Institute

OBSERVER

Furry suspicious

■ Must make a change from trying to explain bloody blundering in Chechnya. When Russia'a foreign minister Andrei Kozyrev arrived in Stockholm yesterday for talks with Swedish prime minister Ingvar Carlsson, he found most of the embarrassing questions being aimed at his hosts.

Sweden has long been nervy about Soviet/Russian submarine incursions into Baltic waters. In the 1980s, there were indeed confirmed But naval authorities now admit

that five out of six recent instances of suspected U-boat activity can be out down to the underwater antics of - mink Carl Bildt, Carlsson's predecessor,

last year dispatched a stiff letter to Boris Yeltsin claiming "the technical evidence" was "convincing". Little did he know that hydrophone devices have difficulty in distinguishing the sound produced by a mink's tail from that of a U-boat propeller. But Kozyrev was not going for an apology, dismissing the affair as "a joke - a footnote in relations".

Batting order ■ The repercussions of Sir David Scholey's decision to postpone his

retirement from the House of

Warburg go well beyond the Warburg boardroom. By retiring at the colonel in a literary direction. resulting to a collection of short 60 he was a natural for at least one stories and essays entitled: The Village, the Village, the Earth, the Earth and the Suicide of the big chairmanship. Now the headhunters are going to have to earn their money. Astronaut.

Scholey had been mentioned as a possible successor to the BBC's Marmaduke Hussey, and CEC's Lord Prior, 67. He had even been seen as a possibla contender to take over from Sir Patrick Sheehy, 64, chairman of BAT industries, Britain's sixth biggest company.

Indeed, the question of who succeeds Sheehy is acquiring some urgency since there is no heir Sir Alick Rankin, who joined the

board 18 months ago, is no longer in the running now that he is getting the chairmanship of General Accident, and Lord Armstrong, the former cabinet secretary, is simply too old. The job would suit a well-connected globe trotter like

Of course, there is always Lord Cairns, who has been on the BAT board for five years, and has more time on his hands these days.

Suicide mission Anyone curious about the workings of the mind of Libyan

dictator Muammer Gadaffi now has an additional source of inquiry besides the political musings as expounded in his famous Green This time the Muse has inspired

But the text sounds like anything but escapist stuff. The astronaut in the title, for instance, returns to earth unable to make a living and

The basic message seems to

consist of a diatribe against the evils of the city, combined with a

call for a return to bucolic idylls

and all that.

promptly kills himself. Perhaps Gadaffi's old friend Tiny Rowland would like to review the tome, now that Lonrho demands less of his time.

Gore report ■ Good to see that one member of the old guard at Warburg is carrying on as if nothing has happened. Michael Gore, Warburg's

former finance director and now taipan of its Asia/Pacific business, was in Belling yesterday raising the Warburg flag over yet another far flung outpost. Whan pressed by the FT's man on the spot, he said that there might be "short-term volatility caused by

long-term investors would be rewarded" And, no, he was not talking about the changes at the top of S.G. Warburg but what might happen

changes in leadership, but

Xiaoping passes on. And what about the succession at Warburg? All he and his associates would say is that they are oot sure that "divine intervention" is applicable to Warburg's present difficulties. That must be a relief for the beadhunters.

Suspense

 Wolford finally strode to the stock exchange yesterday -Valentine's day, naturally. The fashion tights manufacturer, it will be remembered, goes down in history for celebrating woman in its last annual report as "the unending, timeless, archaic and yet at tha same time most modern. complicatedly simple, and

fascinating phenomenon" The much-hyped "Lady" shares were eight times oversubscribed, but sagged an embarrassing one schilling from the Sch440 issue

price in Vienna. The French, by contrast, exhibited finer feelings for tha poetry of the occasion, marking prices up FFr10 at FFr230 a couple of hours later in Paris. Fascinating. complicated - so presumably, terribly female.

He told ber: "It'a all over, Flo."

Flow chart How did the phumber end his "Financial Times

100 years ago The weather and the railways It was natural that the extremely severe weather which we have experienced during the last few

weeks should have produced an unfavourable effect upon the Home Railway traffic receipts. Snowstorms and other meteorological disturbances have to a considerable extent rganised the goods service. and the amount of freight passing over the metals has been reduced by the temporary stoppage of certain out-door industries - notably of the building trade.

50 years ago

Car purchase deposits The Society of Motor Manufacturers and Traders took occasion some time ago to warn the public that no reliance could be placed on delivery of new cars in the post-war period merely because a deposit had been made in respect of an order or a credit note issued on the purchase of a used car. Apparently, the method is still being persisted in and the manufacturers renew their warning to the public that they do not in any way acknowledge priorities of this



FINANCIAL TIMES

Wednesday February 15 1995



France fails to win EU backing for Hollywood TV film quotas

By Emma Tucker in Sordeaux

France lost its battle yesterday to persuade its European Union partners to support the imposition of stricter quotas on the screening of Hollywood films and other foreign productions by European television stations.

At an informal meeting of EU culture ministers in Bordeaux. Germany and other member states backed away from French plans to tighten the rules determining what can be broadcast into European homes. It now seems unlikely that the EU's audio-visual industry will face far-reaching regulatory changes in the near future.

We think that quotas impose a kind of pressure on free and inde-

a Danish spokesman. "We find responsible for audio visual polthem undemocratic and we haven't seen any evidence that quotas bring any benefit."

After a lively discussion inside Bordeaux's Grand Theatre, it emerged only Belgium and Greece were enthusiastic about France's conviction that the best way to safeguard European culture from a flood of US products was to reinforce a requirement that broadcasters screen a minimum of European-made produc-

"We don't have a European car, we don't have a European train... I don't see wby there should be a European film." Mr Helmut Schaefer, the German representative, said.

However, Mr Marcelino Oreja.

icy, told ministers he was confident be would be able to present definite proposals for reform of the existing regulatory framework when they meet formally on April 3 in Luxembourg.

France - which attaches far greater importance to the protection of national culture than other member states - believes that general television channels should be required to screen a minimum 51 per cent of European-made programmes.

Mr Jacques Toubon, the this area as in so many others. the diversity of our culture will not be able to assert itself against uniformity unless we stand

At the moment the EU's 1989

directive requires broadcasters to European productions, but only "where practicable", a loophole that has allowed transgression.

But reservations from other member states mean that the French proposals - a priority of the country's six-month EU presidency - are unlikely to become

The Italians suggested existing rules should remain, while the Danes pushed for the quotas to be phased out altogether.
Mr Stephen Dorrell, the UK

heritage secretary who opposes the use of quotas, said: "Where we disagree with France is not on the importance of safeguarding European culture, but over the

UK clears way for takeover of privatised power concern

The UK government cleared the way yesterday for the first takeover of a privatised UK electricity company by saying it would not refer Trafalgar House's bos-tile £1.2bn bid for Northern Electric to the Monopolies and Merg-

Electricity shares jumped on the announcement as the stock ble predators to declare their interest in the cash-rich companies. The sector closed 3 per cent up while the market as a whole fell slightly. Northern closed 116p up at 1091p.

It opens up the whole sector for takeovers," said Mr Nigel Hawkins, electricity analyst at Hoare Govett, the stockbroker. Trafalgar has promised that it will provide Northern with suffi-

cient resources to meet its obligations, make the appropriate infor-mation available to the regulator,

financial independence in the utility, and agree to appropriate amendments to its distribution

However, it is understood that the regulator is disappointed that the decision to clear the bid was made without attaching any legally anforceable conditions that could be applied to other potential takeovers.

The regulator was negotiating yesterday with Trafalgar House over amendments to Northern's licence to be made if the bid succeeds. The Office of Electricity Regulation said these amendments would be legally enforce-

Prof Littlechild also retains the right to refer Trafalgar/Northern to the MMC under the 1989 Elec-tricity Act if the bidder refuses to amend the licences, or fails to abide by the assurances. He is believed to be planning to prolicences, including refloating 25

over, it is also likely that be will require Trafalgar to retain a UK

Trafalgar said thet it had no objections to the licence amendments proposed so far. However, it said the flotation of a minority stake would be likely to cause concern if eventually proposed. In Westminster, Mr Heseltine's decision provoked angry responses from opposition spo-

kesmen, but largely met the concerns expressed by a number of Tory MPs over the bid. Mr Jack Cunningham, Labour'a trade and industry spokesman, said the failure to refer the bid was "extraordinary and deeply

unsatisfactory". Northern Electric refused to comment on the decision. It is preparing its final defence docu-

Editorial Comment, page 13; See Lex; Northern Electric bid decision welcomed, Page 22

by \$2.7bn

Continued from Page 1

Pataki, the Republican governor of New York State. But New York City is going further - for example by limiting drugs available through Medicaid and eliminating entitlement to spectacles.

The rest of the \$2.7bn savings will come from \$600m cuts in grants to city agencies - and \$600m savings from productivity agreements with the workforce in exchange for a pledge of no further lay-offs.

few days.
The New York Police Depart-

ment believes financial institutions could be the target of an Islamic terrorist attack to protest at the continuing trial of 11 "war of urban terrorism" against New York.

New York to cut spending

 Police warnings of possible terrorist attacks have led to a sharp tightening of security in the Wall Street financial district of lower Manhattan over the past

LEX COLUMN

BP's profits pump

The near 2 per cent drop in the British Petroleum share price is at first sight curious. Profits for 1994 were at the top end of expectations and the fourthquarter dividend increase was not widely predicted. But investors are losing their capacity to be surprised at the magnituda of BP's poat-1992 turnaround. Yesterday was as good a moment as any to take profits after the stock's 27 per cent outperformance against the market in the past year. One by one, ambitious targets for profits growth, cost reduction and debt reduction have been beaten. Man-agement credibility is such that there

is little doubt new targets will be met too. This is not merely because of the cyclical recovery in petrochemicals where operating profits are set to dou-ble this year. Refining margins have arguably bottomed out.

Upstream, the predicted 2 per cent a year rise in oil and gas production should combine with low costs to generate further healthy profit increases. A higher oil price would help, but even if it stays at current levels the \$3bn pre-exceptional replacement cost profit targeted for 1996 looks emi-nently achievable, as does the reduction in debt to \$8hn.

This is impressive, but in the price. Further re-rating is likely to wait for quarter-by-quarter proof that objectives are being exceeded, not simply met. The prospect of 20 per cent a year dividend growth is enticing, but the shares still yield a third less than the average for international

Reuters

Reuters will suffer from the fall-out in financial markets. As investment banks react to last year's poor profits by cutting costs, Reuters will find it harder to increase sales of its information and dealing systems. Still, the group's powerful electronic franchise in financial markets is intact: yesterday's results show that operating mar-gins continue to rise once acquisitions are stripped out. Underlying revenue growth will be slower this year than last year's 17 per cent, as Renters warns; but there will still be growth. And when good times in financial markets return, sales will pick up more strongly.

Somathing more, though, will be needed if Reuters' share price is to resume its rise. The main hope must be that the group finds a way of trans-ferring the electronic formula from

FT-SE Eurotrack 200: 1394.5 (-3.9) Share price relative to the FT-SE-A All-Share index

far has little to show for its attempt to build similar electronic franchises in health care and business information, but it is early days. Expanding such operations will involve bigger investments and possibly acquisitions. How-ever, given the fledgling nature of these markets, the sums involved will

As a result, investors are likely to focus on Reuters' casb pile - £534m at the end of 1994 and growing at £150m to £200m a year. Another massive share huy-back may face tax complications, given that the 1993 buy-back exhausted most of the group's advance corporation tax capacity. But one way or another, Reuters must find a profitable use for its cash.

Norwegian banks

Den norske Bank's board was right to defy the government over the dividend. The state may own 72 per cent of the company, but the government's desired payout, equivalent to 50 per cent of net profits, would not have been in its own interests or those of other shareholders. The bank's return to financial health should not be exaggerated. Last year, it mada unrepeatable net gains from releasing provisions and was in the happy position of paying no tax. Its current 29 per cent return on capital is clearly unsustaina-

Besides, the bank needs to strengthen its core capital. A tier one ratio of 7.4 per cent may look high, but the Norwegian economy's main industries - oil and gas, pulp and paper, shipping, and fisheries - are all cycli-cal and have a nasty habit of performfinance to other markets. Reuters so ing simultaneous nose-dives. Furthermore, the domestic commercial loan market is becoming increasingly competitive, with Citicorp and the Swedes making significant inroads.

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plits soar 36%

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. Internet Bases

The government has every right to rsspond hy rejecting the group's accounts at the annual meeting and then voting off the board. However, there would be little point unsettling the management given the small sums involved.

Moreover, most of the state's profits from its banking investments will be generated through capital gains, not dividends, but the stronger the bank's financial position, the higher price the state will obtain when it sells its stake. The government may have been somewhat humiliated yesterday, but it should eventually be richer for the

Northern Electric

Fortunately, the UK government has Ignored calls to refer Trafalgar's £1.2bn bid for Northern Electric to the Monopolies and Mergers Commission. No competition issues are raised by this bid. Northern has done itself no credit hy campaigning for a reference.
If it had been successful, the immediate effect would have been to damage investors' interests by sending the ahare price plunging. Instead, they enjoyed yesterday a further 12 per cent rise in their investment.

Northern rightly points out that Trafalgar can afford to increase its £10.48 a share bid and yesterday's closing price of £10.91 shows the market expects more. Trafalgar will be able to offset its own accumulated tax losses against Northern's profits. But just because Trafalgar can afford to pay more does not mean it will. Northern must first persuade its investors that their shares are worth something approaching £10.48 if the bid lapses. Northern has yet to make this case. There are no plans to step up its costcutting. And its promise to transfer

directly to shareholders its stake in the National Grid, plus any special dividend paid by the Grid before a demerger, does not go far enough. If it is to validate a £10.48 valuation as an independent entity, it needs to exploit its ungeared balance sheet to the full by paying bumper dividends. Yester-day Northern dangled tha prospect of something along these lines. One can only hope that, having kept its powder dry for so long, the bang when it comes will be big.

Additional Lex on Hanson, Page 21

Battle to keep Moscow at the centre

Continued from Page 1

it is the mayor - Mr Luzhkov prefers to go by the title "premier" - who regulates local conlive in the capital city and even determines the local approach to privatisation. In practice, if not in principle.

when the Moscow premier's views on those issues have come into conflict with national policies established by the cabinet of ministers, within city limits, it is Mr Luzhkov's line that bas pre-

Mr Luzhkov is difficult to place along the reformers versus hard-liners axis into which outside observers often try to confine the Byzantine complexities of Russian politics. On the one hand, be

Europe today

was one of the defenders of the White House during the failed August 1991 hardline coup - a role that earned him Mr Yeltsin's trust. Lest anyone forget which that turning point in Russian politics, he has published a blow-hy-blow account, under the

title 72 Hours of Agony.

During the other defining moment of the past few years, the armed struggle between Mr Yeltsin and the Russian parlia-ment in October, 1993, the mayor also took the president's side. Mr Luzhkov, wbom Mr Yeltsin appointed in the summer of 1992 to run both branches of the Moscow government, returned the favour by cutting off water, the besieged parliamentarians.

also entered into open political confrontation with some of the sleekest western hotels. most prominent enemy is Mr Anatoly Chubais, a first deputy prime minister and the standard bearer of market reforms in the

From the outset of mass privatisation, Mr Luzhkov has fought for, and won, an exceptional sta-tus for the city of Moscow. That status was entrenched last week when Mr Yeltsin signed a decree giving the city further control of privatisation.

The city has also, separately.

given itself powers to renational-Last week the city government

But while Mr Luzhkov has unfailingly stood by Mr Yeltsin at key political moments, he has accused by a western businessman of seeking to "re-nationalise" the Radisson Slavyanskaya, one of Moscow's

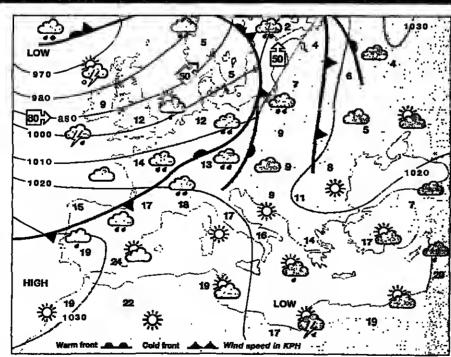
> American partners in the ven-ture, said: "I believe at this point in time our joint venture has been quietly taken over. You can say nationalised, you can say expropriated." Moscow authorities dispute Mr Tatum's claim, saying he owes the city money. An official said that Moscow, seeking to end the battle, was

trying to oust Mr Tatum from the joint venture's board of directors. For Mr Luzhkov, who has suc-cessfully defied cabinet ministers, getting rid of one unco-operative American is unlikely to

An active cold front will stretch from Poland to France and northern Spain, generating spread rain and drizzle. Cold and very unstable air will follow the front into west Europe, giving numerous showers in Ireland and England and steady rain in Scotland. Rain will move further into Scandinavia. In contrast, very mild air will move north ahead of the front, giving temperatures of about 10C throughout central Europe. Temperatures will also be unseasonably high in Spain, where sun will boost readings to

to push rain and showers into western Europe. Most rain is expected in northern France, especially during Friday, when it could be heavy and steady. The Alps will have some snow on Thursday, but temperatures in most regions will generally be above normal for the time of year.

about 24C in the south-east. The Balkans





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FINANCIAL TIMES **COMPANIES & MARKETS**

Wednesday February 15 1995



IN BRIEF

Dump

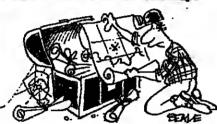
BP buoyant as profits soar 36%

Strong chemicals prices boosted British Petroleum's fourth quarter replacement cost profits to £427m (\$661.85m), a 36 per cent rise on 1993 and the company's best quarterly performance since 1990. The results were at the top end of analysts' expectations. Page 21; Lex, Page 14

Den norske Bank rejects state payout call Den norske Bank, Norway's largest commercial bank, announced record 1994 profits but refused to meet state demands for a dividend payout ratio of 50 per cent of net profits. Page 16; Lex. Page 14

Pacific Dunlop slips on flat results
Shares in Pacific Dunlop, the Australian conglomerate, fell 3 cents to A\$3.01 - only a few cents above its 52-week low - on news of a flat first-half profit before abnormals. Page 17

Oil project charges hit Kvaemer Kvaerner, Norway's second largest bourse-listed company, disclosed that full-year profits had been hit by NKrlbn (\$150m) in provisions to cover losses on the Troll oil project and restructuring of the oil and gas division. Page 20



Mineral prospectors are surveying Ecuador in what seems to be an unprecedented mining bonanza. Some companies are dusting off old maps of once active mines and exploring sites rediscovered in recent years. Page 23

Ell Lilly pulls in \$316m in fourth quarter Eli Lilly, the US pharmaceutical group, produced net earnings in the fourth quarter of \$316m before special charges, or \$1.09 per share. Page 20

Ailied Irish Banks look eastward Allied Irish Banks may take further stakes in banks in eastern Europe. The company unveiled its plans as it disclosed a 16.6 per cent rise in pre-tax profits to I£341.2m (\$525.76m) last year, compared with I£292.6m before exceptional items in 1993. Page 22

Reuters chief gets 38% pay blks

Mr Peter Job, chief executive of Reuters, the UK media group, last year received a pay increase of 38 per cent, taking his salary to £500,000. (\$930,000). Mr Job's rise was announced along with other changes to Reuters' remuneration policy, including the reduction of executive directors' contracts from three years to two. Page 21; Lex. Page 14

Chemicals subsidiary lifts Hanson Hanson, the Anglo-US conglomerate, reported a sharp increase in first quarter profits following a strong performance by Quantum Chemical, its polyethylene subsidiary, and buoyant sales by imperial Tobacco. Page 22; Lex. Page 21

20 Fidelity Investments

20 Flying Flowers

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WORLD

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Andrew Baxter explains the biggest change in the UK industry since privatisation **British Steel**

core is more than before

n the UK-steel industry, a decade might as well be a millennium. Back in the mid-1980s, state-owned British Steel 1990s, state-owned British Steel Corporation was only just back in profit after the 1990-81 reces-sion and looking for ways to focus on its core business - the production of bulk steels. Engi-neering steels, the specialist grades used to make products such as forgings for the automotive and aerospace industries, were viewed as non-core.

The policy was one of the rea-sons behind the creation in early 1986 of United Engineering Steels - later renamed URS Holdings from the merger of the corporation's engineering steels interests and the forgings business of Guest Keen and Nettlefolds, now called GKN.

Yet yesterday, British Steel -privatised, reshaped and restruc-tured into one of the world's lowest cost steel producers - paid £93m (\$144m) cash for GKN's stake in UES Holdings, regaining full ownership and control.

In words that speak volumes for British Steel's changed circumstances, Mr Brian Moffat, chairman and chief executive, said: "Engineering steel manufacture is a core activity for British Steel and we look forward to continuing to improve UES's financial performance."

The deal has long been expec-ted, but it is still a momentous event for the UK steel industry. It is the biggest change of ownership since British Steel was privatised in 1988, giving the UK's dominant producer of standard steels full control of the country's second largest steel company. UES is also the biggest European producer of engineer-

• It takes the capital spending undertaken or planned by British Steel since September to £410m, against £104m for 1993/94. That underlines not only its more expansionist approach since tha end of the recession but its strong belief in a profitable

future making steel.

• It has implications that could extend beyond the engineering steel sector. The deal could open another round of consolidation and technological change at UES and at British Steel'e long prodncts operations at Scunthorpe

genesis of UES goes back to 1979, when Mrs Margaret Thatcher's first government aimed to include the steel industry in its

privatisation plans.

The idea was greeted with incredulity. Few buyers were thought likely to enter an indus-try saddled with overcapacity, overmanning and declining markets, and many privete sector steel companies were close to col-lapse and in no condition to buy

As a first step to possible privatisation, a number of joint-ven-tures between BSC and the private sector were formed in the "Phoenix" programme of the early 1980s.

UES was the last, the higgest and the most ambitious Phoenix. Intended to rationalise the engineering steel sector, it came only after six years of negotiations between BSC and GKN. The government sweetened the pot with £55m of new capital.

The end of the arrangement announced yesterday might suggest it was doomed from the start, but observers believe it fulfilled an important transitional

Under joint ownership, much of the necessary restructuring has been achieved; the workforce has been cut from 10,200 to about

Buoyed by strong profit growth in the late 1980s. a series of acquisitions strength-

electric arc furnaces - and in stockholding and production of bright bar, a shiny steel made from "black" engineering steel. Some £250m was spent on capi-tal investment, including a £75m

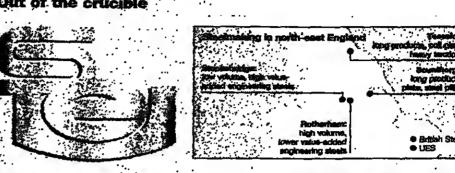
continuous casting complex at

scrap business -

the main raw

the main UES Steels plant in Aldwarke, Rotherham. But the 1990s have brought nothing but problems. Peak profits of £67.3m in 1989 turned into a pre-tax loss of £48.1m in 1993 thanks to collapsing selling prices, rising scrap and electric-ity prices and allegedly market-

distorting subsidies to some There were internal problems Out of the crucible





too. For the past two to three years, UES has been unable to take important strategic decisions because GKN was unwilling to countenance further big spending. Restructuring might have been quicker if British Steel had had full ownership, says Mr Edward Hadas, analyst at Nat-West Securities

Although Sir David Lees, GKN chairman, claims the joint ven-

The deal underlines British Steel's expansionist approach and a belief material for its in a profitable future making steel two years.

> ture was "not an unhappy marriage", it emerged yesterday that previous talks had broken down after the two companies failed to agree on a sale price. When the engineering group told British Steel it was keen to sell early last year, bleak prospects for the steel industry made an outright acqui-

sition unattractive. Since then, however, UES has returned into the black as operating margins have recovered, with pre-tax profits of £18.2m last year. To have done it last year without a recovery in evidence would have been very difficult for British Steel. But now we're in midcycle, we've been able to strike e fair deal," Sir David says. British Steel can now restructure its subsidiary with a free

rein and with the prospect of further profit rises at UES. Privatisation of parts of the European engineering steel industry should stimulate "more rational economic behaviour" by observer, while analysts point

out that UES profits would be tax-free this year because of accrued losses

ish Steel of the deal, and possibly of further restructuring at UES and other facilities. And that was what intrigued steel analysts yes-

British Steel was giving little away about its plans. "The only absolute certainty is that we will be continuing to improve competitiveness," it said. But it has a number of options.

attention, but also one that sits alongside British Steel'e long products business," says one Another related business, be

says, is the Scunthorpe Rod Mill

"UES is a business which needs

bought recently as part of a com-plex deal that extricated British Steel from partial ownership of ASW, (formerly Allied Steel & Wire and the first of the Phoenix

rentures). British Steel could now look across all these businesses to make strategic decisions about the most cost-effective production technologies - and how much steelmaking it needs.
One option could be to convert

the whole long products business to electric arc furnacs production, including low cost minimills. Traditional blast furnace production et Scunthorpe would end, perhaps early in the 21st century, and more work could be put into UES' electric arc furnaces at Stocksbridge and Rotherham or smaller, more flexible equivalents. Alternatively, UES's "front-end" could be rationalised and some steel production transferred to Scunthorpe, reducing the exposure of UES to volatile

One way or another, British Steel has to do some "pretty interesting technical analysis over the next few years", says Mr Hadas. And British Steel is now the only European producer using blest furnaces for long products, he notes. Additional reporting by Tim Burt

GKN leaves steel, Page 24

Daimler closer to control of CGS

By Michael Lindemann in Bonn d John Ridding in Paris

Daimler-Benz, the German automotive group, is likely to take a majority stake in Cap Gemini Sogeti, the French software company, giving it control of Europe's largest information technology group. Debis, Daim-ler's services arm, has held a 34 per cent stake in CGS since 1991 and is in talks which are likely to lead to a majority stake. Under the 1991 contract, the German group has until February next year to make a decision.

Mr Heinz Achinger, a membe of the Debis management board said the two sides were discussing 6 suitable price. "In opera-tional terms it makes total

Debis has created close links with CGS since links were established between the two groups. They now have a combined turnover of about FFr16bn (\$3bn).

The closer co-operation had enabled the two companies to develop joint software platforms giving them the sort of competitive advantage over other information technology groups which belped them secure a contract last year for DHL, the interna-

tional freight group.
Investors, bnoyed by the prospect of an imminent agreement, pushed shares in CGS up by FFr5.70 to FFr171,20. The rise in the share price also reflected the reaction to results for last year and an upbeat assessment of prospects for 1995.

On Monday, CGS announced a sharp reduction in net losses to FFr95m for 1994, compared with a deficit of FFr429m in 1993. CGS said it returned to the black in the second half and it expected a significant net result for 1995. CGS forecast a recovery in stood 19 per cent higher at the end of 1994 compared with the beginning of the year.

CGS'e recovery reflects the improvement in market condi-tions and the impact of a radical restructuring programme over the past two years designed to give people within the group better access to its expertise.

The programme, dubbed Gene sis, has involved the creation of separate profit centres for the various industrial sectors targetted by the company. The centres are organised on a geographical basis so that, for example, the US is the base for oil and energyrelated systems while the French

Barry Riley

How pension funds can rebalance without tears



long-term anchor, the whole UK pension fund industry could drift away from prudent asset allocation as agers look over their shoulders to see what oth-

This opinion, expressed in a strategy document by Schroders, cautious but successful exponents of the consensus-plus school of balanced pension fund management, and the UK's thirdlargest external manager, could mark a turning point in institu-

tional strategies. The immediate etrategic impact is not, perhaps, a big deal. Schroders is raising its upper limit on holdings of bonds and cash in a discretionary UK pensien fund portfolio from 25 to 30 per cent (not including indexlinked gilts). This is a theoretical limit, not a suggestion that it is

going to dump equities suddenly. Another intriguing feature of the document, however, is that Schroders has become hesitant about the ability of equities in the foreseeable future to deliver high real returns - such as the regular 15 per cent returns which drove UK pension fund equity exposures to more than 80 per

cent during the 1980s. A section on "Illustrative real returns", which presumably fall short of being hard forecasts but are intended to be realistic and internally consistent, suggests that the nominal return on ster-ling bonds during the rest of the decade will average 9.8 per cent, and the real return 6.8 per cent. The UK equity return will be just fractionally higher at 6.4 per overseas markets will perform worse than this, leaving only the Pacific Rim, with 10.7 per cent real returns to UK investors, as a high growth portfolio booster -albeit with high risks. But the level of prospective

returns is not the only matter at issue. Managers are also becom-ing awars of the need to reduce volatility, given the rapidly increasing maturity of many pension schemes and the threat of a statutory minimum solvency

According to Schroders, trustees can now make a virtue out of necessity

According to Schroders, which runs \$27bn (\$42bn) of pension fund assets, trustees can now make a virtue out of necessity. They can increase their bond exposures without having to make e large sacrifice in terms of

expected fature returns. So much for the theory. What is actually happening out there? Certainly, pension funds were buying gilts last year, which they were not in 1988. At the end of 1993 the higgest UK pension fund database, the WM All Funds, indicated an average exposure to UK and overseas equities of 80 per cent, and of 8 per cent to UK and oversess fixed compon bonds.

cent (despite underperformance by bonds).

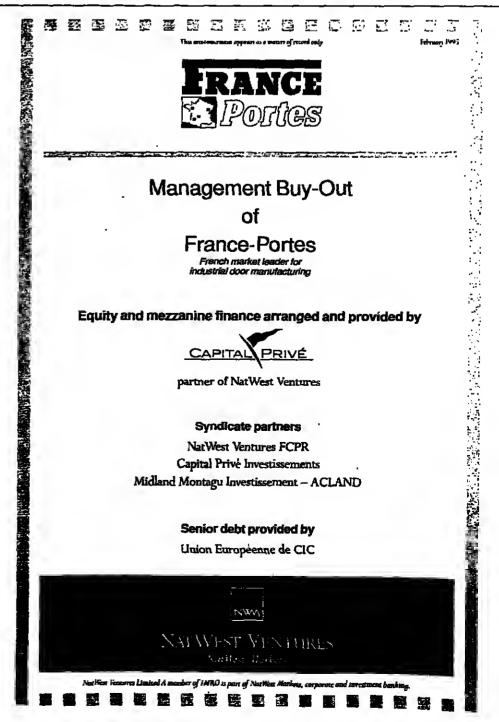
WM's analysis of investment policy during 1994 shows that the cutback in equities was achieved almost entirely through net sales in the US and Europe. UK holdings were hardly changed. As for bonds, there was almost as much buying overseas as in the UK.

Curlously, as UK pension funds move one way, US funds are shifting in reverse. The latest flash report from Greenwich Associates, the Connecticut con-sultants, confirms that US corporate pension funds were big buyers of foreign equities in 1994. It also shows that they were sellers of dollar bonds, with a tumble in the average portfolio exposure from 26.4 to 21.1 per cent.

Relative value changes in 1994's bond bear market will have exaggerated this strategy shift, but a target bond exposure of 20 per cent is indicated for 1997. Public sector funds have a much higher 1977 target of 29 per cent but the decline from the 43 per cent level of 1991 is even

We do not have a transatiantic consensus in place yet, but simi-lar inflation levels in the US and the UK, and greater commonality in attitudes to international diversification and to solvency testing, are leading to obvious

A theme of Schroders' strategy document is that strategic shifts may feed back into underlying asset performance. A switch from equities to bonds in the UK could prove self-justifying. But in a global market local distortions Preliminary figures for 1994 sug-gest that equity exposure has the managers expect, will be lim-declined to 78.5 per cent and the



INTERNATIONAL COMPANIES AND FINANCE

DnB rejects state payout call despite record profits

in Oslo

Den norske Bank, Norway's largest commercial bank, yesterday announced record profits for 1994, but beld its ground in refusing to meet state demands for e dividend payout ratio of 50 per cent of net profits.

The group instead stressed the need to bolster the bank's finances. The state has e 72 per cent stake in DnB.

DnB proposed a dividend of NKr1.25 a sbare, corresponding to 30 per cent of net profit. The total payout will be NKr801m (\$120.5m), against the state's demand for more than NKribn. Mr Sigbjoern Johnsen. finance minister, refused to

comment on the proposal. Mr Ole Lund, DnB chairman, emphasised the need to improve the bank's financial strength in the face of fierce competition from foreign banks, which have built up a

Setback for

of ABB

Lindemann in Bonn.

German unit

The German division of Asea Brown Boveri (ABB), the

Swiss-Swedish engineering

group, recorded a fall in profits

and turnover in the first nine months of 1994, writes Michael

The company blamed fewer

(\$4.3bn) from DM6.7bn a year

The company said profits

were lower but declined to give

any details. New orders for the

period rose 6 per cent to

However, the group, one of the largest within the ABB

conglomerate, said full-year

figures, to be published on May

would be more representa-

tive than the nine-month

It noted that larger contracts

were traditionally closed

towards the end of year.

DM7.62bn.

tic corporate loan market. This compares with less than 25 per cent held by Norwegian commercial banks.

Mr Lund said DnB needed to lift its long-term debt rating from A3, one step from the lowest debt rating assigned. However, he said DnB would aim to distribute dividends

equivalent to roughly half of annual profits once its financial strength reached a satisfactory level. "In the opinion of the board,

it will be in the shareholders' interests that the bank conducts a long-term policy based on stable, and preferably increasing dividend payments," Mr Lund said.

DnB last year recorded a near three-fold increase in pretax profit to NKr2.69hn from NKr982m in 1993, helped by the reversal of NKr1.33bn loan loss provisions at the gross level. a 45 per cent reduction in the

loans to NKr5.7bn. Net interest income fell to NKr4.74bn from NKr5.37bn, while other operating income was cut to NKr2.45bn from

NKr3.49bn. DnB said new loan losses of NKr2.1hn were recorded in 1994 and warned that many customers were still in a weak financial position.

Following the proposed allocation of profits, DnB's core capital ratio at the end of 1994 rose to 7.4 per cent from 5 per cent at the end of 1993, based on risk-weighted assets and offbalance sheet exposure of NKr132hn

The bank plans to lift the ratio to 8 per cent.

Mr Bjoern Skogstad Aamo. head of the Banking, Insurance and Securities Exchange Com mission, the finance sector watchdog, recently challenged banks to achieve a core capital

Danish banks warn over market reform

Danish mortgage banks have warned that if reforms to the Copenhagen Stock Exchange are not satisfactory they will set up an alternative exchange

for bond trading.
The reforms would end the stock exchange's legal monoorders for power stations and locomotives, and greater competition in international poly. The Danish market is the Turnover for the nine world's ninth higgest for months ending September 30 fell 3 per cent to DM6.51bn honds, and includes a large

mortgage bond market.

Differences over the reforms. which comply with the EUs investment services directive. came to a head this month. A joint committee of issuing houses, institutional investors

and trading houses, set up by the government, was unable to agree on a reform proposal to submit to Ms Mimi Jakobson, the minister for business and industry. The minister will therefore present her own com-promise reform bill to parliament, probably within the next

The aim is to make the

Copenhagen Stock Exchange a joint stock company in which issuing houses and institutional investors each hold a 20 ner cent stake and brokers the remaining 60 per cent

A stock exchange council would also be formed to draw up the operation rules for the

Issuing houses and institutional investors are worried that the council will not take their interests sufficiently into account and that the decisionmaking process will be cumbersom

"If the council cannot take decisions and the stock exchange cannot react swiftly to adept to changes taking place internationally, it will not be able to function satisfac-torily," said Mr Torben Gjede, managing director of the Association of Mortgage Banks.

"We must be able to sell our honds through e stock exchange which functions well. If we can't, then we shall have to consider setting up our own

Huhtamaki result hit by N American sports strike

By Christopher Brown-Humes in Stockholm

The affects of strikes in the North American baseball and ice hockey leagues had reper-cussions in Helsinki yesterday, hitting the 1994 results of Huhtamaki, the Finnish consumer products group.

Profits after financial items

fell 13 per cent to FM442m (\$94m). The figures were worse than expected and pushed the group's shares down 6 per cent to FM146. The strikes disrupted impor-

tant year-end sales of collectable sports cards supplied by Leaf, Huhtamaki's confection-

"If you lose a husiness where you have reasonably good margins yon soon see it on the bottom line," Mr Timo Peltola, Huhtamaki chief exec-Leaf is the fourth largest

supplier of baseball and ice hockey cards in North Amer-ica. The strikes cut Leaf's North American sales by 16 per cent to FM2.63bn, reducing the unit's overall sales by 1 per cent to FM4.97bn.

Huhtamaki's total sales rose 4 per cent to FM8.3hn, due a 23 per cent increase at the company's Polarcup packaging

Group profits were also hit by rapid increases in packaging raw material prices, which squeezed margins; a publicity scare which led to a sharp fall in US deliveries of contracep tive implants; and the stronger Finnish markka.

Mr Peltola said 1995 pros pects were brighter, even though the US baseball strike had still not been settled and figures in the first four months would be below last year's levels because of the costs of product launches. He said Huhtamaki had suc-

cessfully integrated nine European confectionery units bought from Sweden's Procordia in 1993 and underlying business growth was strong in the US and European confectionery markets. Group sales in 1995 are fore-

cast to reach FM9hn, with earnings per share above the FM12.16 achieved last year.

Strong European airbag sales help Autoliv lift earnings to SKr680m

Autoliv. Europe'a leading supplier of car seathelts and airbags, vesterday reported a near three-fold increase in proflts for 1994, just nine months after it was launched on the Stockholm stock exchange.

The Swedish company returned a profit before tax of SKr680m (\$92m), compared with SKr240m in 1993. Until last May the company

was wholly owned by Electrolux, the home appliance group that is controlled by Sweden's powerful Wallenberg family. Sales rose 68 per cent to SKr8.9bn from SKr5.3bn. The operating margin rose to 7.4 per cent from 5.8 per cent.

Autoliv announced e first dividend of SKr3 per share. The result matched expectations for a company which was one of the star performers on

the Stockholm market last year after 100 per cent of the company was floated by Electrolux on the Stockholm exchange's secondary "O" list. Following the float, Autoliv's shares slumped below their SKr180 a share offer price to SKr165, but then began a rapid climb. The chares slipped SKr25 yesterday to close at

car safety devices which are enjoying strong demand in Europe. Airbag sales by Auto-liv to vehicle manufacturers rose to SKr4.1bn last year from SKr1.3bn in 1993.

Sales of seat belts rose 19 per cent to SKr4.7bn from SKr4bn. Autoliv has 17 production facilities in 10 countries and claims a 50 per cent share of the European market for seat-belts and more than 25 per cent of the airbag market.

Even if 1994's strong advance is not repeated,

analysts still tend to look favourably on Autoliv

Market share elsewhere is much weaker, especially in the US and Japan where it has negligible penetration of the airbag market and about 5 per cent of the seat-belt market. However, the company warned that falling prices for airbags and rising raw material costs would squeeze margins in 1995.

"It will be difficult to beat 1994's increase for another Autoliv's most dynamic year," said Mr Gunnar Bark, success story so far. But its

operations are in airbags, the chief executive, "Over the past 13 years we have averaged 33 per cent growth every year. 1994 was a year when quite a few new car models were launched in Europe, so we have to dampen expectations a

little." However, even if 1994's strong advance is not repeated, analysts still tend to look favourably on Autoliv. There should be lots of

growth if they can maintain their leading position and con-tinue to be innovative," said Mr Gunnar Andersson, analyst with Handelsbanken in Stock-In the mature seat belts mar-

ket, growth will mainly have to be achieved by adding value through technical additions, such as Autoliv'e new "pretensioned" belts which lock tust before impact. The company sees much growth potential in airbags,

where penetration of front-seat installation is still below 50 per cent in new cars in Europe. New developments, such as side-impact airbags and whiplash protection are under way. Last year, Autoliv teamed with Volvo, the Swedish carmaker, to produce the first side-impact airbag brought to market in the world.

The company has been s

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new-found position as e public company may yet have its

Jun

It is 70 per cent owned by foreign investors - one of the highest levels of foreign investment in a quoted Swedish company. This means that it could be exposed it to sudden market fluctuations if its performance falters.

"Of course we have a higher exposure, we are living closer to the market now," said Mr

"But I think it is important not to he too influenced by that Our intention is to con tinue to maximise our long-term potential."

Austria ready to sell bank stake

By lan Rodger in Zurich

privatisation Creditanstalt-Bankverein, Austria's second largest bank, moved nearer yesterday when Mr Ferdinand Lacina, the Austrian finance minister, said he was ready to sell the government's remaining 70 per cent voting stake. He has for three years been considering the best

way of selling the stake. Viennese bankers suggested the sale could raise up to Schl4bn (\$1.3bn), with about one-third of it coming from a secondary public offering. Mr Lacina, who is searching

for funds to reduce a widening federal deficit, indicated he no longer opposed a secondary public offering of part of the government's stake.

This is a turnround for the socialist minister, who last June described the proposal of a secondary offering as "absurd and immoral". He then insisted the government was not willing to sell its entire stake.

A consortium of corporate investors led by EA Generali, the Vienna insurance group, and First Austrian Bank last year offered Sch7.5bn for slightly more than half the government's stake. Last week, the consortium indicated it would prepare an offer to buy the entire stake with the intention of selling off much of it to

Mr Lacina said whether the new owners held on to the entire 70 per cent was "their

The only other group known still to be competing with the By lan Rodger Generali consortium is Allianz the German insurer. CS Hold Swissair, the quoted Swiss ing, the Swiss financial services group, made an offer last spring, but withdrew in September claiming that in Aus-

ness environment its proposal could not get a fair hearing. Viennese bankers said the timing and terms of the privatisation could still he difficult. with the only practical period this year for such a large public offering being in early

tria'e highly politicised busi-

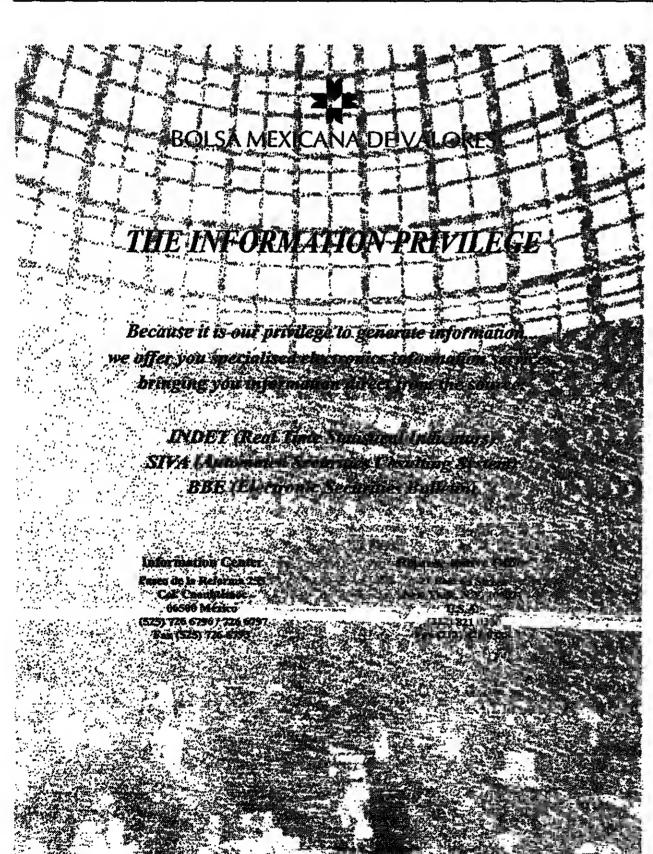
summer. Two other large privatisa-tions, of the Böhler-Uddeholm special steels group and the VA Stahl integrated steelma-ker, are planned for March and

October respectively.

Sabena deal possible soon, says Swissair

airline negotiating the purchase of a large minority stake in Sabena of Belgium, said it was possible a deal could be completed within two weeks. However, it considered this time period - suggested by Mr Pierre Godfroid, Sabena chairman, in an interview with a Swiss newspaper - as unlikely. "We do not exclude it, but we think it is an optimistic timetable." Swissair said.

Swissair has indicated it would cut the value of its offer for Sabena following the latter's failure to win government approval to cut costs by paying its pilots in Luxembourg.



GREEK EXPORTS S.A. (Founded & owned by ETBA S.A.)

DENATIONALISATION

INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF ALPHA TELECOMMUNICATIONS AND SIGNALS S.A. NOW UNDER SPECIAL LIQUIDATION

ORFER PXPORTS S.A. catablebed in Athena at 17 Personistimore Street in its connective special liquidator of ALPRA TELE-COMMUNICATIONS AND SIGNALS S.A. in accordance with Decision No. 7801/1992 of the Admiss Court of Appeal, by which ALPRA TELE-COMMUNICATIONS AND SIGNALS S.A. has been placed under appeal liquidation, and within the framework of article 46s of Law 1872/90, as supplemented by

SHOPS to express their invertes to purpose to express their manner of the second decidence, either many of its self-contained functional restricts, is a) its real cases heldings, b) in the self-contained functional restricts, is a) its real cases heldings, b) in the self-contained functional restricts. whole or each of its self-contained functional entities, he is its real estate holdings; by in chalcal know-how in the field of fuses, including instruments and organs for their

Brief information on the company under Equidation

ALPEA TELECONOMUNICATIONS AND SIGNALS S.A. was founded in Athems in 1977

with head office in Kallithes (72-74 Salaminos Storet) in a self-owned small-with as wes of 2,775 up. m. committing of three bencements, a ground floor to The bedding stands on a plot of land 1,003 up. m. in area. It was engaged in two sectors of activity: the production of electronic fuses i and the production and development of computer programmes. The com-various types of fuser such as time-fuses and inter-percussion fuses; and was Num has also developed various software programmes such as those inten-tries, M.L.S., hospitals, etc. The company has also participated in E.C. re see and has developed a digital triophone anchange (PABX).

a) GREEK EXPORTS S.A., 17 Passepistic Tel: +301-304-3111 Par: +30-1-323-9185.

b) The head office of E.T.B.A. S.A. Directorate of Public Holds 4th Picoc, Athess, Grosco. Tel: +30-1-929.4611 and 929.4613.

Kyushu Leasing Service Co., Ltd.

U.S.\$75,000,000 Guaranteed Floating Rate Notes due 1997

(Coupon No. 10)

Pursuant to Note conditions, notice is hereby given that for the interest period 15th February, 1995 to 15th August, 1995 (181 days), an interest rate of 6.8250 per cent. per annum will apply. Amount per coupon (No. 10) = U.S. \$171.57 Payable on the 15th August, 1995



The Long-Term Credit Bank of Japan, Limited London Branch Agent Bank

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Conditions, copies of which are available

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Fax: +44 171 407 5758

ASIA MIDAS FUND PLC US\$10,000,000 Floating Rate Note due 1996

Notice is hereby given that the above Note will be redeemed in full by the Issuer on March 8. 1995 in accordance with the Terms and Conditions of the Notes as set out in the Private Placing Memorandum of the ssuer dated February 24, 1994.

GREEK EXTERNAL STERLING DEBT

Assented Bonds of the 5% Loan of 1881 Assented Bonds of the 5% Loan of 1884 Assented Bonds of the 4% Loan of 1387 Assented Boads of the 7% Loan of 1924 Assented Bonds of the 6% Loan of 1928 (S&R) Funded Bonds of the 5% Loan of 1881

Hambros Bank announces on behalf of the Ministry of Finance of the Hellenic Republic that the sinking funds obligation of 1994 has been met by the drawing of Bonds as detailed below:-

Assented Bonds Drawn for Redemption:-Assented Bonds Drawn for Redemption:£233,200 nominal of the 5% 1881 Assented Bonds have been drawn
(represented by 98 Bonds of £100 nominal and 1117 of £200 nominal).
£277,340 nominal of the 5% 1884 Assented Bonds have been drawn
(represented by 3867 Bonds of £20 nominal). £285,100 nominal of
the 4% 1887 Assented Bonds have been drawn (represented by 909
Bonds of £100 nominal and 971 Bonds of £200 nominal). £265,360
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the 6% 1928 Stabilisation and Refugee Assented Bonds have been
drawn (represented by 634 Bonds of £20 nominal). 3411 Bonds of
£100 nominal. 72 Bonds of £500 nominal].

Funded Bonds Drawn for Redemption:-£92,700 nominal of the 5% 1881 Funded Bonds have been drawn (represented by 1310 Bonds of £50 nominal, 272 Bonds of £100 nominal).

Bonds should be presented with Coupons attached as follows:

Assented Bonds 1881 5% Coupons 66-70 attached Assented Bonds 1884 5% Coupons 66-70 attached Assented Bonds 1887 4% Coupons 66-70 attached Assented Bonds 1924 7% Coupons 65-70 attached Assented Bonds 1928 (S&R) 6% Coupons 66-70 attached Funded Bonds 1881 5% Coupons 66-70 attached

Holders are asked to note that interest will accrue on the 4%, 5% and 6% Bonds up to and including the 15th March 1995 and the 7% Bonds up to and including 16th March 1995 as shown below:

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| Loan 5% 1881 Assented Bond | Bond Denomination £100 | Interest Payable £0.5139 |
| | £200 | £1.0278 |
| 5% 1884 Assented Bond | £20 | £0.1028 |
| 4% 1887 Assented Bond | , £100 | £0.4111 · |
| 6% 1928 S&R Assented Bond | £200 £20 £100 | £0.8222 £0.7333 £0.3667 |
| 5% 1881 Funded Bond | £500 £50 | £1.8333 £0.2569 |
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In respect of the Bonds circulating outside the Hellenic Republic, presentation for payment may be made between the hours of 10.00 a.m. and 2.00 p.m. on any business day to Hambros Bank Ltd. Cashiers. 41 Tower Hill. London EC3N 4HA from whom the list of serial numbers of the drawn Bonds may be obtained. Bonds must be left for three clear business days for examination. 15th February 1995

LONDON MILION HINNES EDINBURGE Petroleum Argus Oil Market Guides emprehensive explanations of the oil markers "Petroleum Argus CITY INDEX

INTERNATIONAL COMPANIES AND FINANCE

Australian coalminer calls in administrator

By Nikki Tait in Sydney

Clutha, tbe trombled Australian coalminer whose shares were suspended earlier this month, yesterday called in

It said that directors and senior management were working with the administrator — an accountant from Coo-pers & Lybrand — on an opera-tional and financial review of its husiness. A statement would be provided to creditors on February 21, it said.

The situation at Clutha, which started as a management buy-out from BP Australia 10 years ago, has been grave for many months. Like many coal producers, it has been suffering from the price and volume pressure exerted by Japanese customers in recent years. This, coupled with its lack of financial resources and accidental damage at two mines, in unconected incidents, left it in a parlous state.

More recently, production at its lossmaking Burragorang mines has fallen significantly due to the need to meet more stringent regulations relating to contained gas levels in the coal. Cintha, which has been trying to reach agreement with unions over these conditions, warned two weeks ago that the situation meant that there would be no imminent return to profitability for the

Its shares were suspended last week, after the price plunged to a record low of 14

7.11 × ×7 ,,;

Stanbic sets out plan for restructuring

Standard Bank Investment (Stanbic), which yesterday reported strong growth for the past financial year, said it was consolidating its South African banking operations into the Standard Bank of South Africa, which would he divided into separate whole-sale and retail businesses, agencies report from Johannes-

Stanbic, South Africa's second-largest banking group, said the restructuring was being initiated immediately aithough its completion would

take "some time".

"The change recognises the growing complexity of banking and financial services worldwide," it said.

The bank said the need for a distinction between wholesale and retail market demands had become evident.

The overseas operations of Stanbic would not be affected by the restructuring, it said. Stanbic's net income for the year advanced to R1.08bn (\$290m) from R859m in 1993. Profit at the pre-tax level rose to R1.510bn from R1.277bn.

Bad and doubtful debts were

R408m, down from R477m.

San Miguel ahead 41%

By Edward Luce in Manila

San Miguel, the Philippine beer and soft drinks manufacturer, posted e net profit of 4.93bn pesos (\$197m) in 1994, a 41 per cent increase over the 1993 figure and one wblch reflected the Philippine economy's healthy growth last year. Consolidated net sales at the Philippines' largest private

company rose by 12 per cent to 68.4hn pesos in 1994, further strengthening the brand's stranglehold on the domestic beer, ice cream and soft drinks

Non-recurring profits of 4.93bn pesos included a gain of 6.32bn pesos from the sale last year of a plant site in Hong Kong.

increase in sales.

Heart trouble at Pacific Dunlop

The group faces legal action over its pacemaker, writes Nikki Tait

pinions have long been divided over Pacific Dunlop, the Mel-For some - notably politi-cians - it is a good example of an Australian company which managed to build on its former core business (tyres), adjust to tariff-cutting at home and penetrate Asian markets long before these became popular.

For others, it is an agglomer ation of unrelated interests, with a patchy record in terms of recent diversifications and where management quality is

Yesterday, as the shares fell 3 cents to A\$3.01 on news of a flat first-half profit before ebnormals, there was little doubt which view was in the ascendancy.

The share price stands only a

few cents above its 52-week low, and is almost half the level seen in January last year. Over the past six years, Pacific Dunlop shares heve gone

In part, this can be blamed on the troubles at Telectronics, the US-based pacemaker busi-ness Pacific Dunlop bought in 1988. Problems came to a head late last year, when the company announced that it had discovered that certain leads connecting the pulse generator (which electronically stimulates the heart to the heart tissue) might be faulty. At that stage, it knew of lead fallures in seven patients, and two of these pacemaker recipients had subsequently died. A product recall ensued.

Since then, Pacific Dunlop has set up an advisory committee to assess the extent of the problem. Last month, this found that in a screened group of 525 patients, about 12 per cent of leads showed signs of fracture, although in some cases there were no signs of protusion. The company set aside A\$40m (US\$30m) to cover the costs of having all recipi-ents examined and then monitored, and the leads removed if

Pacific Duniop Share price relative to the All Ordinaries index Shere price (AS

Flat first-half profit

Pacific Dunlop yesterday announced first-balf profits of A\$151.3m (US\$112.7m) after tax but before abnormals. In the first half of 1993-94, the comparable figure was A\$150.5m, writes Nikki Tait.

90 91 **92** brown

After a pre-tax abnormal charge of A\$45.5m, largely to cover medical costs related to the problems at the Telectronics subsidiary, bottom line profits were down by 24.4 per cent to A\$113.8m. A year earlier there was a pre-tax abnormal charge of

Total operating revenue was 5.7 per cent higher at A\$3.78bn, while earnings per share before abnormals fell to 14 cents from

Operating profits rose 2.5 per cent overall, to A\$227.6m, with the consumer goods, distribution, tyre and battery, and later divisions all posting advances. The food interests also showed signs of improvement. However, operating profits in the building and construction group fell to A\$80m from A\$86m, and the medical division, to A\$12m from A\$16m.

Interest charges rose to A\$41m from A\$27m. Currency movements are estimated to have dented profits by around A\$5m to \$10m, and a change in eccounting policy on employee entitlements cost A\$2.87m after tax.

per cent of Australian recipients, but was unable to put a figure on the worldwide situation. (The original implanted patient population was 42,000, split almost equally between the US, Europe and the rest of the world.) To date, 200 leads have been removed, although "in general, extraction was not

being recommended".

But, already, lawyers have been gathering. PacDun said yesterday that six separate sets

class action, although this has not happened yet.

Telectronics says it will cootest the legal proceedings, arguing that it complied with all regulatory requirements and had US Food and Drug Administration approvals for

Much may ultimately depend on how well this defence stands up. But in the meantime, there has been no provision for legal costs - indeed,

says that it has product liability insurance policies in place, it declines to release details.

Yesterdey, PecDun execotives appeared aggrieved that the domestic market had made so much play of the Telectron ics issue. They pointed out that class ections were common-place in the US. Mr Philip Brasa, managing director. suggested that over-reaction in adverse circumstances would panies away from certain types of high-tech business.

But, while there is some truth in this complaint, local analysts see things differently. First, there is concern at the uncertainty surrounding the Telectronics situation: "You just can't put a number oo the potential damage," wailed one pundit yesterday. Second, they note that the issue has arisen et a time when relatively little else is going in the company's fevour.

Problems with Pacific Dunlop's 1991 diversification into food, for example, were known long before the Telectronics troubles emerged. Nevertheless, Mr Brass confirmed yes-terday that PacDun does not expect this division to live up to original expectations, and earn the desired 9 to 11 per cent gross margin on sales, for another two years.

Quite separately, the company is mired in a dispute with Australian authorities over its accounting treatment for goodwill. Some analysts also appear to have been surprised by the first half increase in interest charges, although others said they were aware of PacDun's decision to lock into new facilities as the interest rate cycle

turned up.
All in all, a fair amount of profits downgrading appeared to be under way yesterday. Pacific Dunlop's own statement pointed to margin pressure as commodity prices rise, and said only that the com-pany would be "striving" to beat its 1993-94 profit of

Some analysts were already pitching below that, around the A\$300m mark.

Recovery for Alcan Australia

Austrelia, aluminium smelter and metal fabrication group, yesterday announced a net profit of A\$31.5m (US\$23.46m) in the year to end-December, up from A\$772,000 in the previous 12

Total operating revenue rose from A\$640.1m to A\$721.9m. At the operating profit level before abnormal items and tax but after interest and foreign exchange gains/losses, Alcan moved into the black, registering a A\$60.5m profit. A year ago, there was a A\$260,000 loss.

The "primary" division made a pre-interest profit of A\$29.2m. compared with A\$1.22m previously, while the downstream operations contributed A\$34m, as against A\$23.1m. Abnormal items produced a A\$7.97m loss before tax, compared with e A\$6.83m loss in 1993.

Alcan said the result was the best for five years, and could be attributed to "higher primary metal prices, improved performance in downstream businesses and exchange gains on overseas debt".

 Elders Australia and Aus trallan Metal Holdings have made a joint A\$149m bid for Australian Agricultural Company, one of Australia's larges cettle stetion operators and currently controlled by Colo-

However, AAC said that the price of A\$10.50 a share was "disappointing". AMH, which owns 38 per cent of AAC, had earlier opposed plans by Colonial Mutual to sell its 51 per cent interest in the business at

COMPAGNIE DE SAINT-GOBAIN Titres participatitis in ECU provisory coupon on August 10, 1995

private tender.

For the period of remuneration ending 6.33594per cent, as the case may be, will be used to calculate the cou This coupon payable on August 10, 1995, will not be less than ECU 33.56 for each titre perticipatif of ECU 1,000, inducing an annual rate of 8.712 per

cent for the period.

The definitive coupon will be known after the publication of the net ed income for 1994.

ADELADE BANK LIMITED
USD 259,009,009
MULTIPLE OPTION FACULTY AGREEMENT DATED MARCH 25, 1994 cordance with the provisions of the erable Loan Certificate issued on May 11, notice in bareby given that for the three is increas people of one February 14, 1995 to 5, 1995, the Certificate will carry an interest. Nedlloyd ==

KONENKLIJKE NEDLLOYD GROEP N.V.

NLG 500,000,000

Revolving Credit Facility

Internationale Nederlanden Bank N.V.

Bayerische Landesbank lutermational S.A.

Bremer Landesbank Kredictbank N.V. Mitsubishi Bank (Enrope) S.A.

The Sauvo Bank, Limited

ABN AMRO Bank N.V.

ABN AMRO Bank N.V.

The Bank of Tokyo (Holland) N.V. Vereins- und Westbank AG

ABN AMRO Bank N.V.

Krediet aan de Nijverheid (NMKN) Société Générale S. V. The Sakura Bank, Limited

ABN·AMRO Bank

Commerzbank (Nederland) N.V.

The Bank of Nova Scoting

The Sumitorou Bank, Limited

Morgan Guaranty Trust Company of New York

IMRS

Supplier of financial management and consolidation software to over 30% of the FT-SE 100 and more than 2000 major organisations worldwide

is changing its name to



For more information, please contact Richard Hawksworth. UK Marketing Manager, Hyperion Software (UK) plc. Toft Hall, Knutsford, Cheshire WA16 9PD Tel: 0156 563 3744



U.S. \$350,000,000 Exchangeable Guaranteed Floating Rate Notes due 1999

guaranteed by Cheung Kong (Holdings) Limited unth landed in Hong Kong

and exchangeable into Cheung Kong

Holdings (China) Limited Incorporated in Hong Kong with braned lethings

Notice is hereby given that for the Interest Period 14th February, 1995 to 15th May, 1995, the Notes will carry a Rate of Interest of 6.75 per cent. per annum. The Interest Amount per U.S. \$250,000 Note will be U.S. \$4,218.75, pavable on 15th May, 1995. angles the Linearbourg Stock Eachs

L'ORÉAL

ANNUAL SALES: + 18.5%

In 1994 consolidated sales for L'ORÉAL and its French and foreign subsidiaries totalled FF 47.6 billion, up 18.5% compared to 1993.

L'ORÉAL'a total consolidated cosmetics salas, under the Group'e new structure, grew by 20.4% and sales for the subsidiary Synthelabo rose 12.9%.

As of 1 July 1994, Cosmair Inc. USA, Cosmair Canada Inc. and Lorsa Fagel (Switzerland) heve been consolidated into the L'OREAL Group, along with 49% of Procasa (Spain).

On a directly comparable basis, that is based on tha new Group structure and 31 December 1994 exchange rates, consolidated sales for L'ORÉAL in 1994 increased by 8%. This reflects improved internal growth com-

Pro forma Group consolidated salea in 1994 rose to

FF 51.7 billion. Group profits have not yet finalised, but, as predicted, they should rise by slightly more than the Increase in

Further information on the Group worldwide can be obtained by writing to the Investor Relations and Business information Department, L'ORÉAL, Office No: AO 403, 41, rue Martre - 92117 CLICHY (FRANCE).

The state of the s



This process is still in its PacDun has yet to appoint a of legal proceedings had been early stages. The company said yesterday that it had located 90 instituted in the US. These will law firm to represent its interprobably be merged into a Australian bank posts strong

advance at six-month stage

Commonwealth Bank of Australia, tha larga, partially-privatised commercial bank, yesterday reported profits after tax and extraordinary items of A\$454.4m (US\$338.47m) for the six months to end-December. This compared with A\$317.9m struck in the corresponding

period of 1993-94. Net interest income during the half-year rose by 5.3 per cent to A\$1.49bn, while other income increased by 2.2 per cent, to A\$739.5m. The bad debt charge fell by 34.8 per cent, to A\$119.3m. Operating expenses ware 2.8 per cent lower, at A\$1.41bn.

garnings per share of 49.7 cents, compared with 35.5 cents last time, and there is an interim dividend of 36 cents a share, against 24 cents a year earlier. The result was generally ahead of expectations, and the shares closed 14 cents higher, at CBA said that the strong

come in the home loans market, where its portfolio increased by 6 per cent to A\$25.7bn, although some market share was lost due to continuing price competition. The planned overhaul of the branch network has now been completed in most states.

growth during the half had

performance on the personal banking side was ahead of budget, on the business side the reverse was the case. CBA said growth had been "disappointing" with many companies continuing to use cashflow to fund new investment or repay debt. The bank warned that, while

although Victoria will not be finished until July.

But while

finencial

growth in earnings during the second half of the year was expected, it would probably be at a slower rate than in the six months just ended. One reason would be a slowdown in the housing market, making CBA more reliant on husiness

Burns said yesterday that it hed decided to sell its

antibiotics division, since it

could no longer be e

Burns Philp steady at half-time

By Nikki Tait

BONGRAIN

Slight Increase in 1994 turnover

The upturn in business activity announced in 1994 has not

yet become apparent to a significant extent in consumption

In apite of an economy which remained mediocre

throughout the year, BONGRAIN recorded a slight

The 1994 turnover represented 9.67 billion French Francs

versus 9.59 billion in 1993, an increase of 0.85%. The

activity of the Bressor Group is included. The new acquisitions in Central Europe and the activities of

Applying constant exchange rates and an identical area of

consolidated activities, the increase represents 2.75%.

Excluding the effect of excess milk and by-products, the

Compagnic Laitière Européenne are not consolidated.

Burns Philp, the Australian group which has been steadily divesting "non-core" interes to concentrate on its food and ingredlents operations. yesterday reported a first-half profit after tax and abnormals of A\$76.7m (US\$57.13m) in the six months to end-December. This was virtually unchanged from the previous year's A\$76.3m, elthough

earnings per share, on a fully-diluted basis, were down to 16.2 cents from 17.2 cents. Sales were A\$1.02bm, compared with A\$1.5bm in the first half of

Burns said that the figures reflected the sales of its BBC Hardware retail stores in July,

and the disadvantage of a stronger Australian dollar, although a significantly lower tax charge - A\$4.6m against A\$14.6m - partially offset these

The sales downturn was entirely due to the disposal, and sales from continuing businesses rose by 13 per cent. Earnings et the pre-interest level from the continuing ner cent to ASI12.4m.

operations also increased by 17 The profit on the sale of the BBC business, and other divestments, totalled A\$111.3m, but this was largely offset by Burns' decision to take a A\$101.5m restructuring charge, so that the after-tax results

included a net abnormal gain

of only A\$2.2m.

"long-term low-coet competitor" in this industry. Accordingly, it has writtan down the value of these assets by A\$60m in the interim The company yesterday

indicated that further divestments of non-core operations over the next year were expected to raise around

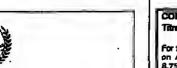
Mr lan Clack, Burns managing director, said he was unaware of any potential predator on the share register, earlier this year, takeover speculation was rife, after heavy trading in the shares.

European Investment Bank

Floating Rate Bonds 1992 due May 15, 2002

In accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the Interest Period from February 15, 1995 to May 15, 1995 the Interest Rate has been fixed at 4.49 per cent. The Interest Amounts, psyable on May 15, 1995, will be: for the denomination of NLG 10,000: NLG 111.00

February 15, 1995



NLG 500,000,000

for the decomination of NLG 100,000: NLG 1,110.03 for the decomination of NLG 1,000,000; NLG 11,100.28

> Rabobank Nederland Utrecht, the Netherlands

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STRATEGIC ADVICE CREATED VALUE FOR OUR CLIENTS IN MERGERS AND ACQUISITIONS.

Automotive

Abex Loc. sold its Abex Friction Products Division Cooper Industries, Inc. \$207,400,000

Detroit Diesel Corporation acquired VAI Motori SpA from Montagu Private Equity Limited \$125,000,000

Sociedad Española del Acumulador Tudor S.A. was acquired by

Exide Corporation \$380,000,000

Snap-on Incorporated sold Systems Control Inc. to McCown De Leeuw & Co. Value not disclosed

SPX Corporation acquired the 49% interest it did not already own in Sealed Power Technologies Limited Partnership from Riken Corporation \$239,000,000

> Truck Components Inc. was acquired by Casrle Harlan Pariners II, L.P. \$164,000,000

Chemical

CB1 Industries, Inc. ccessful defense against unsolicited offer for its Liquid Carbonic subsidiary received from Airgas Inc. \$1,450,000,000

W.R. Grace & Co. sold its Printing Products Business to a new company formed by management Citicorp Venture Capital \$142,000,000

W.R. Grace & Co. sold its Barrery Separators Business to a subsidiary of The InterTech Group, Inc. Value nor disclosed

> Monsanto Company agreed to acquire the Kelco Division of Merck & Co. Inc \$1,075,000,000

Construction, Building **Materials & Engineering**

CRSS Inc. sold CRS Sirrine Engineers and CRSS Constructors International to Jacobs Engineering Group Inc. \$33,500,000

CRSS Inc. sold CR55 Architects Inc. to Hellmuth Obata & Kassabaum Inc. \$7,000,000

Fibreboard Corporation ful defense against unsolicated offer from a group led by Carl Pohlad \$189,000,000

"Holderbank" Financière Glarus AG acquired the outstanding public interest in Holnam Inc. through its wholly-owned subsidiary Holdernam Inc. \$54,000,000

Holdercim S. A. (subsidiary of "Holderbank" Financiere Glarus AG) sold Loxam S.A. in an investor group led by Union d'Erudes et d'Investissements which is cuntrolled by

Crédit Agricole Value not disclosed

Société D'Études et Installations Industrielles CNUD S. A.

B.M.T. Group Value nor disclosed

Financial Services

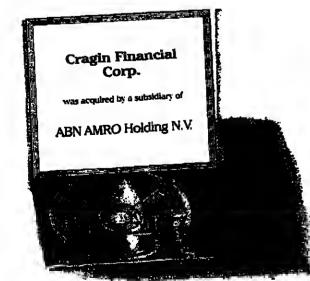
Alleghany Corporation sold Sacramento Savings Bank to First Interstate Bancorp \$331,000,000

AMFED Financial, Inc.

First Western Financial Corporation \$61,200,000

Andover Bancorp, Inc. agreed to acquir Finest Financial Corporation \$19,900,000

AT&T Capital Corporation red certain vendor, leasing and finance com-(CFH Leasing International) from Banco Central Hispanoamericano S.A. Value not disclosed



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Bank of Boston Corporation acquired Pioneer Bank \$118,000,000

Bank of Boston Corporation rming commercial and residential to undisclosed buyers \$339,000,000

> **Bank of Boston Corporation** agreed to acquire Ganis Credit Corp. \$36,000,000

Bank of the West (subsidiary of Banque Nationale de Paris Group) acquired 15 California branches of Citibank, FSB Value not disclosed

> BankWorcester Corporation was acquired by Bank of Bosron Corporation \$247,000,000

BB&T Financial Corporation agreed to merge with Southern National Corporation \$2,200,000,000

Citizens Financial Group, Inc. equired Old Scone Federal Savings Bank from The Resolution Trust Corporation \$133,600,000 The Colonial Group, Inc.

served to be acquired by Liberty Mutual Insurance Company \$415,000,000

CoreStates Finanical Corp. Constellation Bancorp \$320,000,000

CoreStates Financial Corp. ing commercial real estate loans and assets to an undisclosed buyer \$120,000,000

> Cragin Financial Corp. was acquired by a subsidiary of ABN AMRO Holding N.V. \$550,000,000

Crestment Financial Corporation was acquired by The Summit Bancorporation \$95,600,000

CrossLand Federal Savings Bank nonperforming commercial and residential hum to undisclosed buyers \$243,000,000

> Dime Bancorp, Inc. Anchor Bancorp, Inc. \$1,200,000,000

The Dime Savings Bank of New York, FSB sold numperforming residential loans to undisclosed buyers

\$324,000,000 Firstar Corporation agreed to acquire First Colonial Bankshares Corporation \$314,000,000

GFC Financial Corporation acquired TriCon Capital Corporation from Bell Atlantic Corporation

\$1,797,500,000 The Greenpoint Savings Bank sold nonperforming residential loans to an undisclosed buyer \$250,000,000

Household International, Inc. ricipated in a credit card joint venture with Grupo Financiero InverMexico, S.A. de C.V. Value not disclosed

The Long Island Savings Bank, FSB sold nonperforming residential loans and assets to an undisclosed buyer \$156,000,000

New Valley Corporation sold Western Union Financial Services, Inc. to First Financial Management Corporation \$1,193,223,000

One Valley Bancorp of West Virginia, Inc.

Mountaineer Bankshares of West Virginia, Inc. \$130,000,000

Pulte Corporation \$559,651,000 Pulte Corporation

sold 22 First Heights Bank branches to

Compass Baneshares, Inc. Value not disclosed Pulte Corporation sold 9 First Heights Bank branches to Independent Bancorp Inc.

Value not disclosed Roosevelt Financial Group, Inc.

Farm & Home Financial Corporation \$258,000,000 The Van Kampen Merritt Companies, Inc.

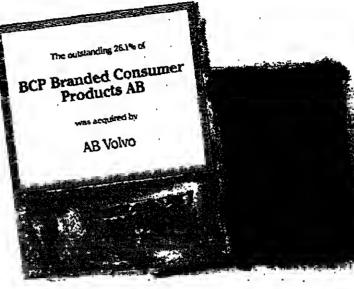
an affiliate of Clayton, Dubilier & Rice, Inc. American Capital Management & Research, Inc. from Travelers, Inc. \$430,000,000

Food, Beverage & **Consumer Products**

The Bagel Place, Inc. was acquired by Specialty Foods Corporation Value not disclosed

B.A.T Industries p.Lc. acquired The American Tobacco Company from American Brands Inc. \$1,000,000,000

The outstanding 26.1% of BCP Branded Consumer Products AB was acquired by AB Volvo \$985,000,000



Deere & Company Textron Inc. Value not disclosed

G. Heileman Brewing Company, Inc. was acquired be Hicks, Muse, Tate & Furst, Inc.

\$390,000,000 Institutional Financing Services, Inc. was acquired by

Tyler Corporation \$53,000,000 PacifiCorp Financial Services, Inc. Vermont Castings, Inc. 1 Rosecliff, Inc.

Value not disclosed Pilliod Holding Company

an affiliate of Clayton, Dubilier & Rice, Inc. was acquired by LADD Furniture, Inc. \$54,000,000

U.S.A. Foods, Inc. a Merrill Lench Capital Partners, Inc. affil Cabana Foods Value not disclosed

U.S.A. Foods, Inc. a Merrill Lynch Capital Partners, Inc. affiliate Stixi AG Value not disclosed

Health Care

Boston Scientific Corporation agreed to acquire SCIMED Life Systems, Inc. \$1,007,000,000

Boston Scientific Corporation agreed to acquire Cardiovascular Imaging Systems Inc.



Care Enterprises, Inc. Regency Health Services, Inc. \$161,000,000

Columbia Healthcare Corporation merged with **HCA-Hospital Corporation of America** Columbia/HCA Healthcare Corporation \$7,909,800,000

> Complete Health Services, Inc. was acquired by United HealthCare Corporation \$237,500,000

Eckerd Corporation sold Insta-Care Holdings, Inc. to Beverly Enterprises, Inc. \$112,000,000

Exeter Health Resources, Inc. and The Frisbic Foundation sold Path Lab, Inc to Long Term Care Services, Inc. with its equity pareners, Madison Dearborn Parmers and First Union Capital Partners Value not disclosed

Hafsland Nycomed AS acquired the Medical Imaging Bu Sauofi Winthrop from Elf Sanofi SA \$450,000,000

HealthTrust, Inc.-The Hospital Company agreed to merge with Columbia/HCA Healthcare Corporation \$5,260,000,000

HealthTrust, Inc.-The Hospital Compar EPIC Holdings, Inc. \$1,004,000,000

Interspec, Inc. was acquired by vanced Technology Laboratories, Inc. \$52,400,000

Medical Marketing Group, Inc. was acquired by Medeo Containment Services, Inc. \$145,200,000 Millipore Corporation

sold its BioSearch Division to PerSeptive Biosystems, Inc. Value nor disclosed

National Medical Enterprises, Inc. sold 40 psychiatric inpatient facilities to Charter Medical Corporation \$172,000,000

Ramsay-HMO, Inc. was acquired by United HealthCare Corporation \$562,500,000

industrial Adams Industries, Inc.

dba Totco Smiths Industries plc \$32,000,000

AXIA Incorporated CORTEC Group, Inc. \$76,000,000

Cooper Industries, Inc. sold its Cameron Forged Products Division to Wyman-Gordon Company for a 48% equity laterest in Wyman-Gordon Con \$107,000,000

Elsag Bailey Process Antomation NV Fischer & Porter Company \$186,000,000

Elsag Bailey Process Automation NV sold the Italian Operations of Fischer 5: Porter Company to Finmeccanica SpA

> Esab AB was acquired by CHARTER ple \$681,000,000

General Signal Corporation Fairbanks Morse Pump Corporation

Value not disclosed INDRESCO Loc. acquired REFMEX from Industrias Penoles, S. A. de C.V.

\$75,000,000

The Jordan Company sold Polaris Pool Systems, Inc. to Lincolnshire Equity Fund Value not disclosed

Thomas & Bens Corporation sold Vitramon Inc. to Vishay Intertechnology Inc. \$184,000,000

Tyco International Ltd. acquired Kendall International, Inc. \$1,430,000,000

Westinghouse Electric Corporation sold Gladwin Corporation to Primacor-Gladwin Corporation Value nor disclosed

insurance

John Deere Insurance Group, Inc. ed to sell its stake in Re Capital Corporation to Zurich Reinsurance Centre Holdings, Inc. \$57,000,000

Friends Provident Life Office d NM Life Assurance Ireland Limited from The National Mutual Life Association of Australasia Limited \$16,000,000

> USLICO Corporation The NWNL Companies, Inc. \$325,000,000

WellPoint Health Networks Inc.

acquired
UniCARE Financial Corp. \$157,800,000

Approved for publication in the UK by Merrill Lynch International Limited, a member of the Securities and Futures Authority Limited.

Caesars World, Inc. agreed to be acquired by ITT Corporation \$1,785,000,000

Hospitality Franchise Systems, Incdistributed to its shareholders through a spinoff all the common stock of National Gaming Corp. \$67,500,000

Natural Resources

Baker Hughes Incorporated sold Envirolech Pumpsystems to The Weir Group Plc \$210,000,000

BJ Services Company
agreed to acquire
Western Company of North America
\$500,000,000

Cabot Oil & Gas Corporation
acquired Washington Energy Resources Company from
Washington Energy Company
\$168,000,000

Coffexip S.A.
sequired Stens Offshore N.V. from
Stens AB
\$343,451,000

DEKALB Energy Company agreed to merge with Apache Corporation \$285,000,000

Dresser Industries, Inc.
sold its 64% interest in M-I Drilling Fluids Co. to
Smith International Inc.
\$160,000,000

Heda Mining Company acquired Equinox Resources Limited \$76,000,000

\$76,000,000
Nabors Industries, Inc.
acquired
Sundowner Offshore Services, Inc.
\$100,000,000

NorAm Energy Corporatioo sold its Natural Gas Pipeline System in Kansas to Utili Corp United \$25,000,000

North Canadian Oils Limited (subsidiary of Norcen Energy Resources Limited) agreed to sell North Canadian Power Inc. to General Public Utilioes Corporation \$72,000,000

Novogas
(subsidiary of Groupe Primagaz)
acquired LiquiPibiGas from a subsidiary of
Ente Nazionale Idrocarburi
\$146,000,000



Oil & Gas Rental Services, Inc. sold its Cargo Vessel Division to Hornbeck Offshore Services, Inc. \$46,000,000

Panhandle Eastern Corporation acquired
Associated Natural Gas Corporation \$830,000,000

Panhandle Eastern Corporation
acquired Winnie Pipeline Co. Intrastate Pipeline,
SpindletopGas Storage Facility and Liquid Energy Corp.
natural gas processing plant from
Mitchell Energy & Development Corporation
\$120,000,000

J.R. Simplot
proposed to acquire the
Class A voting common stock of
Box Energy Corporation
\$48,752,000

Specialty Oil Companies
was acquired by
Quaker State Corporation
\$130,000,000

Transco Energy Company
agreed to be acquired by
The Williams Companies, Inc.
\$3,000,000,000

\$3,000,000,000 United Meridian Corporation

acquired
General Atlantic Resources, Inc.
\$197,000,000

Westmoreland Coal Company sold the assets of Kentucky Criterion Coal Company to CONSOL Inc. \$81,000,000

₹.

YPF Sociedad Anómima
sold its interest in
The Rio Neuquén Oil and Cas Concession to
Compañía Naviera Peréz Compane SA
\$160,829,000

Paper & Forest Products

Enso-Gutzeit Oy acquired the 42.2%, it did not already own of Berghuizer Papierfabriek N.V. \$25,000,000

Mail-Well Corporatioo
a company formed by
The Sterling Group, Inc.
acquired American Envelope Company from
CC Industries, Inc.
\$92,000,000

Mail-Well Corporation
a company formed by
The Sterling Group, Inc.
acquired the assets of G-P Envelope Holdings, Inc. from
Georgia-Pacific Corporation
\$155,000,000

Power & Utilities

The Cincinnati Gas & Electric Company merged with PSI Resources, Inc. to form CINergy Corp. \$7,000,000,000

Delmarva Power & Light Company
agreed to acquire Conowingo Power Company from
PECO Energy Company
\$150,000,000

Gas Ventures Advisers sold a 51% stake to British Gas Plc Value not disclosed

Potomac Electric Power Company acquired Columbia LNG Corporation from Columbia Gas System Inc. Value not disclosed

Public Service Company of Colorado sold West Gas Gathering, Inc. to Red Cedar Gathering Co. Value not disclosed

The State of Queensland, Australia valued the Gladstone Power Station which was subsequently sold to Comalco Ltd. \$533,000,000

Real Estate

CRIIMI MAE, Inc.
agreed to acquire the mortgage businesses of
CRI, Inc.
Value not disclosed

Franchise Finance Corporation of America Partnerships reorganized through the consolidation of 11 limited partnerships into a real estate investment trust \$817,000,000

Health and Retirement Properties Trust acquired 14 retirement communities from Host Marriott Corporation \$320,000,000

Highwoods Properties, Inc. agreed to merge with Forsyth Properties, Inc. \$169,200,000

The Horsham Corporation acquired a 48% interest in Trizee Corporation Ltd. \$479,000,000

Realty Income Corporation Partnerships reorganized through the consolidation of 25 limited partnerships into a real estate investment trust \$404,000,000

The Shurgard Partnerships
successful defense in response to an unsolvined
tender uffer made by
U-Haul International, Inc.
Not applicable

Shurgard Storage Centers, Inc.
reorganized through the consolidation of 17 limited
partnerships into a real estate investment trust
\$387,000,000

Simoo Property Group, Inc. acquired three regional malls from Corporate Property Investors \$153,000,000

Starwood Capital Group, L.P.
agreed to acquire a 70% stake in
Hotel Investors Trust
\$300,000,000

Wellsford Residential Property Trust acquired Holly Residential Properties, Inc. \$249,354,000

Retail

Adam, Meldrum & Anderson Co., Inc. was acquired by The Bon-Ton Stores, Inc. \$24,600,000

Calumet Holdings, Inc. was acquired by Wolseley PLC \$42,300,000

A.D. Clark, Inc. agreed to be acquired by American Stores Company \$35,000,000

Fleming Companies, Inc. acquired Scrivner, Inc. from Franz Haniel & Cie. GmbH \$1,085,000,000 Istituto per la Ricostruzione Industriale (IRI)
agreed to sell SME SpA to a consortium led by
Edizione Holding (Benetton Family),
Mövenpick, Leonardo Finanziaria (Luxottica)
and CREDIOP

(co-advisor) \$1,400,000,000



Kmart Corporation
sold Pay Less Drug Stores Northwest, Inc. to
Thrifty PayLess, Inc., a company controlled by
Leonard Green & Partners, L.P.
\$1,000,000,000

R.H. Macy & Co., Inc. merged with Federated Department Stores, Inc. \$4,100,000,000

Merrill Lynch Capital Partners, Inc.
acquired
P.C. Accessories Inc.

Value nor disclosed
Supermarkets General Holdings Corporatioo
sold Rickel Home Centers to
Eos Partners, L.P.

Value not disclosed

E.M. Warburg, Pincus & Co., Inc. acquired the Read Operations of Petrie Stores Corporation
\$190,000,000

Wherehouse Entertainment, Ioc.

a Merrill Lynch Capital Partners, Ioc. affiliate acquired
Pegasus Music and Video, Inc.

Value not disclosed

Wherehouse Entertainment, Inc.
a Merrill Lynch Capital Parmers, Inc. affiliate acquired
The Record Shop, Inc.

Value not disclosed

Woolworth Corporation
sold 122 Woolco discount department stores to
Wal-Mart Stores, Inc.

Telecommunications,

Media & Technology

Blockbuster Entertainment Corporation
merged with
Viscous Inc.

Viacom Inc.
\$8,400,000,000

Blockbuster Entertainment Corporation

Blockbuster Entertainment Corporation acquired 22.7 million shares of Viacom Inc. Class B Common Stock to facilitate Viacom Inc.'s acquisition of Paramount Communications Inc. \$1,250,000,000

Blockbuster Entertainment Corporation

Spelling Entertainment Group Inc. and Republic Pictures Corporation combined by merger \$100,000,000

Cablevision of Chicago, L.P.
agreed to sell its cable relevision systems to
Continental Cablevision
Value nor disclosed

Central Newspapers, Inc. acquired an additional 18.7% stake in Indianapolis Newspapers, Inc. \$35,910,000

General Motors Corporation
proposed to contribute 177 million Class E Shares relatin
to GM's Electronic Data Systems subsidiary to the
Ceneral Motors Pension Fund
\$6,239,000,000

GTE Corporation
sgreed to acquire the remaining 10% stake
it did not stready own in
Contel Cellular, Inc.
\$255,000,000

GTE Corporation
sold GTE Control Devices, Inc. to
Hammond, Kennedy, Whitney & Company, Inc.
Value not disclosed

Hyundai Electronics Industries Co., Ltd
agreed to acquire the
NCR Microelectronics Products Division of
AT&T Global Information
Solutions Company
Value not disclosed

ITC Entertainment Group Inc. was acquired by PolyGram N.V. \$156,000,000

Liberty Media Corporation merged with Tele-Communications, Inc. \$4,400,000,000

MCI Communications Corporation sold a 20% stake to
BT Plc
\$4,300,000,000

ML Media Partners, L.P.
agreed to sell its
California cable relevision systems to
Century Communications Corp.
Value not disclosed

NEXTEL Communications, Inc. agreed in principle to acquire Dial Page, Inc. \$1,100,000,000

NEXTEL Communications, Inc.
agreed to acquire the 800 MHz Specialized Mobile Radio
licenses and encillary assets in 50 states and the
District of Columbia from
Motorcola, Inc.
\$1,659,000,000

NEXTEL Communications, Inc. agreed to acquire OneComm Corporation \$700,000,000

Pacific Telesis Group
advised on the formation of a special purpose trust
to provide for the development of its
consumer broadband network
\$2,000,000,000

Revere Holding Corp.

a Mertill Lynch Capital Partners, Inc. affiliate acquired Revere National Corporation and Stait Outdoor Advertising Co. from Castle Harlan Inc.
and the principal assets of Mall Advertising & Promotions, Inc.

Value not disclosed



SBC International, Inc.
Southwestern Bell Mobile Systems, Inc.
(subsidiaries of SBC Communications Inc.)
have entered into a strategic alliance with
Compagnie Generale des Eaux
to form Cordpagnie Transathantue de
Radiozlephonie Cellulaire and
Washington/Baltimore Cellular Limited Partnership
\$5,150,000,000

Tribune Company
acquired
Thomas C. Wright Inc.
\$100,000,000

Tribune Company
acquired a minority equity stake in
Checkfree Corporation
Value not disclosed

Tribune Company/Qwest Broadcasting L.L.C.
agreed to acquire
WA'TL-TV (Atlants) from Fox Broadcasting
and WNOL-TV (New Orleans) from
Quincy Jones Broadcasting in partnership
with Time Warner Inc.

\$167,000,000

The Westlink Company
a Merrill Lynch Capital Parmers, Inc. affiliate
acquired US West Paging, Inc. from
US West New Vector Group, Inc.
Value oot disclosed

Textile & Apparel

Brentex Mills, Inc.
was acquired by
Mount Vernon Mills, Inc.
Value not disclosed

Lincobashire Management, Inc.
acquired the Uniblend Spinners division of
United Merchants and Manufacturers, Inc.
Value not disclosed

Nine West Group Inc.
agreed on the basic economic terms for its pending acquisition of the Footwear Business of U.S. Shoe Corporation \$600,000,000

Transportation

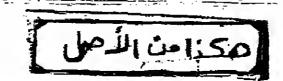
Air Partners II, L.P. and Continental Airlines, Inc.
along with Mesa Airlines, Inc. and Fidelity Management
& Research Co., acquired a controlling interest in
America West Airlines, Inc.
upon its emergence from Chapter 11
\$2,300,000,000

Commonwealth of Australia
provided advice in relation to privatization of
Qantas Airways Limited
Value not disclosed

Tiphook pic
sold its Container Operations to
Transamerica Corporation
(advised in relation to negotiations with U.S. bondholders)
\$1,127,900,000

Merrill Lynch

A tradition of trust.



Charges on oil project hit Kvaerner | Strong sales

Kvaerner, Norway's second largest listed company, yester-day disclosed that full-year profits had been hit by NKrlhn (\$150m) in provisions to cover losses on the Troll oil project and restructuring of the oil and gas division.

The group's A shares dropped NKr21 to NKr301 after

the figures. The provisions were much larger than expected. The NKr559m operating losses suf-

offer services

Fidelity Investments, one of

the world's largest mutual

funds companies, has

announced plans to offer its

services over the Internet, a

global web of computer net-

Web, the multimedia portion of the Internet, will be able to

access Fidelity fund perfor-

mance information and use

software tools such as an asset allocation worksheet and col-

lege savings planning calcula-tor to plan their investment

able to download software for Fidelity Online Xpress, an

online investment service

through which they can place

orders, get quotes and account

balances or order prospectuses.

Fidelity hopes to enable investors to buy and sell its

However, the group is await-

ing the introduction of a

"secure" version of WWW soft-

ware before it will begin elec-tronic transactions via the

funds online.

In addition, Internet will be

Users of the World Wide

Fidelity to

on Internet

By Louise Kehoe

sion, compared with NKr486m profit in 1993, were also higher than expected. The division's revenue fell NKr739m to NKr6.69bn.

Kvaerner, with interests ranging from engineering to shipbuilding, said it was selling its 28-strong gas carrier fleet, valued at NKr3.6hn, or an estimated NKr1bn above book

The buyer is the Oslo-based Havtor shipping group with which Kvaerner has colloborated for many years. Payment will be made in Haytor shares. giving Kvaerner at least a 45 per cent stake in the company. The deal will make Havtor one of Europe's biggest shipping companies. Kvaerner's long-term aim is to reduce its

stake in Havtor. Group pre-tax profits fell to NKr1.22bn last year from NKr1.32bn in 1993 as sales rose NKr26.15bn from NKr24.58bn. Operating profit was cut by 44 per cent to

The Limited confirms recovery

with 31% fourth-term advance

the warm winter.

per cent to \$448.3m.

women's fashions in spite of

Group sales rose 5 per cent

to \$2.54bn and earnings per

share rose 88 per cent, to 72 cents from 54 cents. For the

full year, net income rose 15

The Limited has 4,867 stores

operating under the names

Express, Lerner New York, Limited Stores, Victoria's

Secret Lane Bryant Structure and Limited Too. Last year it

opened 358 stores and this year

it plans to open 430. Mr Leslie

Wexner, chairman and chief

executive, said in addition to

Nevertheless, Kvaerner pro-posed to increase the dividend by NKr0.50 to NKr6 a share. The group's four other divi-sions lifted operating profits but orders secured declined to NKr28.7bn in 1994 from NKr32.4bn a year earlier.

The shipbuilding business lifted operating profit to NKr1.2bn from NKr1bn on revenue of NKr2.52bn, against NKr11.2bn. New orders in this division in 1994 reached a record NKrl5.1bn, against

ing division, the group had

also continued the profitable

expansion of its lingerie

men's, personal care and chil-

dren's businesses. These

increased sales 28 per cent in

the full year, and contributed

55 per cent of operating

Bath & Body Works had achieved another "stellar"

year, Mr Wexner said, and the

global potential of the brand

was demonstrated by the suc-

cessful opening of five stores in

the UK in partnership with

Next, the UK retailer.

NKr14.7bn in 1993.

charges. Sales from continuing operations for the year were up 10 per cent to \$5.7bn, with volume growth of 11 per cent and exchange rate gains of 1

ionals, an underlying increase of 7 per cent.
Sales growth in pharmaceuticals of 10 per cent for the year was led by the antidepressant Prozac, where sales jumped 39 per cent to \$1.67bn. There was also growth in

Sales of antibiotics were down, with competitive pres-sure in the US more than offsetting growth overseas. US sales of the heart drug Dobntrex were down on the expiry

of its patent. US sales were up 6 per cent overall, the company said, in spite of downward price pressure resulting from the spread

Sales of animal health producis rose 6 per cent in the year to \$464m, led by growth in international markets. Spending on research and development rose 11 per cent in the year.

Cigna improves in final quarter

By Richard Tomkins in New York

The Limited, the US clothing

and specialty retailer, yester-day marked a strong recovery

from its depressed performance

of a year earlier by reporting a

31 per cent increase in net income to \$256.7m from \$196.8m in its fourth quarter.

The comparable period had seen a 20 per cent fall in net profits caused mainly by difficulties in the women's clothing

operations. But in the latest

period, The Limited succeeded

in restoring profit margins to

Cigna, the US insurance group that recently announced plans to pull out of the reinsurance business, reported a sharp improvement in its financial performance with operating income doubling in the fourth

Net income fell to \$182m from \$194m, but this was mainly because the comparable period's figure included

ing of the investment portfolio. Operating income - defined as net income excluding all realised gains and losses - rose to \$184m from \$92m.

Earnings per share, includ-ing reelised gains and losses, fell to \$2.52 from \$2.70. For the full year, operating income rose to \$528m from \$10m and net income to \$554m from \$234m.

strong operating income last year and were well positioned for 1995, but property and casualty performance, though improved, remained poor. In November Cigna said it would seil or close its loss-

ance businesses. In the latest quarter, the company's property and casu-alty segment reduced operating losses to \$6m from

making international reinsur-

· Fidelity's WWW address is Mr Bill Taylor, chief executive, said the health, pension NOTICE OF PARTIAL REPAYMENT to the holders of DAI-ICHI KANGYO BANK NEDERLAND N.V.

Notice is hereby given that in accordance with Condition 6(c) of the Notes, the Issuer will redeem USD 49,300,000 - by partial repayment at 100 per cent of their principal amount on 20th March, 1995

USD 70,000,000 10% GUARANTEED NOTES DUE 2001

GUARANTEED BY THE DAI-ICHI KANGYO BANK, LIMITED

The serial numbers of the Notes drawn for the partial repayment are as follows: 1) Notes with Denomination of USD 10,000,-:

500 501 586 587 588 589 762 763 765 250 934 1020 1100 413 503 766 853 940 1103 1261 590 414 504 683 767 854 943 1025 1105 [183 1262 [343 1422 1499 591 415 505 855 945 335 768 1106 1184 1265 1344 1424 1501 1670 1756 1835 1583 857 946 859 947 419 508 593 687 770 420 510 594 688 772 1028 1108 1188 1267 1346 1505 1585 1758 1586 1673 1759 1839 688 772 860 948 1029 1109 1189 1268 1348 1427 1507 596 1030 1116 1190 1269 1350 1428 1509 776 862 950 864 951 865 953 780 1113 1194 1271 1352 1431 1512 1594 1272 | 1353 1195 782 869 954 1196 1273 1354 426 516 600 1115 1434 1513 1596 694 784 870 955 1036 696 785 871 956 1027 697 787 873 957 1038 348 429 517 602 1116 1197 1274 1355 1435 1514 L**5**97 1681 1766 431 1117 1276 1357 1437 1515 1599 1438 1516 1600 1682 1767 1852 1199 1957 697 787 873 957 698 788 874 962 699 789 877 963 700 790 878 964 701 792 880 966 702 795 881 967 703 797 882 968 704 799 884 969 705 801 685 970 711 809 887 973 711 809 887 973 712 816 888 974 713 811 889 975 714 812 890 976 715 814 892 977 716 615 893 978 716 615 893 978 717 817 896 978 718 816 887 981 719 819 898 982 352 353 1202 1203 1359 1360 1361 1362 1365 1684 1685 1517 1518 1279 1040 435 526 436 528 437 529 1961 2044 1962 2045 1963 2046 1964 2051 1966 2051 1967 2052 1968 2055 1970 2056 1971 2058 1977 2062 1978 2064 1977 2062 1978 2064 1977 2062 1978 2064 1979 2065 1980 2070 1985 2070 1985 2071 1987 2072 1988 2073 1990 2074 1991 2076 1992 2078 1994 2079 1995 2080 1998 2082 1999 2084 2000 2091 2006 2091 2006 2091 2006 2091 2006 2099 2011 2095 2011 2095 2011 2095 2011 2097 2011 2099 2011 2099 1121 1281 1521 1522 1523 1525 1044 1045 1122 1206 1208 1209 1282 1283 612 702 795 613 703 797 614 704 799 617 705 801 620 716 804 621 711 809 622 712 816 1046 1047 1048 1049 1050 1053 1366 1367 1368 1370 1573 1374 1124 440 532 442 533 443 535 447 536 448 537 1126 1210 1448 360 362 363 364 365 366 367 368 369 370 1449 1450 1527 1531 1697 1698 1699 1700 1127 1212 1287 1288 1533 1534 1132 1214 1615 1215 1291 449 538 451 539 623 624 625 626 627 628 629 630 631 1134 1375 1453 1057 1060 1061 1063 1536 1537 1538 1541 1135 1217 1137 1219 1377 1379 1455 1456 1294 1617 456 543 457 544 460 545 1138 1222 1298 1140 1223 1300 1380 1381 1457 1459 1460 (619 (620 1707 1787 1544 1545 1546 1547 1064 1141 1224 1382 1621 1709 1301 897 981 898 982 899 983 900 985 901 986 902 987 903 988 904 989 905 992 907 993 909 996 911 991 914 999 917 1003 1065 1068 1069 1070 1071 1142 1225 1226 1227 1302 1303 1305 1384 1388 1389 1390 1391 1621 1627 1628 1631 1633 1789 1790 1462 1463 1464 1465 1466 1467 1468 1471 819 820 822 823 824 825 826 827 829 830 831 833 833 833 837 838 839 840 841 1717 1306 1307 1146 1228 1147 1230 1719 1720 1792 1794 1548 1550 1551 1553 1554 1556 1556 1559 1560 1561 1564 1564 1566 1567 1569 1570 1570 468 554 469 555 473 556 474 557 378 379 380 381 383 1231 1232 1234 1393 1394 1634 1721 1722 1074 1075 1076 1077 1080 1081 1084 1085 1086 1087 1089 1090 1091 1092 1093 1094 1093 1311 1151 1797 1800 1802 1312 1394 1313 1396 1314 1397 1315 1398 1316 1399 1317 1400 1318 1401 1321 1402 1322 1404 1323 1406 1324 1406 1325 1409 1326 1416 1312 1152 1234 1154 1235 1155 1236 1156 1237 1158 1238 1159 1239 1160 1240 1164 1241 1165 1243 1166 1244 1169 1245 1169 1245 1173 1248 1174 1249 1175 1250 1176 1254 1473 1474 1475 1477 1640 1724 475 558 476 562 477 565 478 566 479 567 481 569 482 370 483 573 485 574 487 575 489 576 493 578 493 579 493 579 1641 1725 1726 1727 1642 1644 1643 1646 1648 1669 1651 1654 1655 1656 1657 1658 1479 1480 1481 1729 917 1003 918 1004 919 1005 920 1005 921 1007 922 1008 923 1611 924 1012 928 1613 930 1617 931 1618 653 655 657 659 664 665 668 669 670 672 1482 1483 1484 1485 1486 1487 1488 1489 1491 1736 1738 1327 1328 1330 1332

2) Notes with Denomination of USD 100,000.

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Repayment of principal will be made upon presentation and nurrender of the Notes, with all unmetared coupons attached, at the office of the Principal Paying Agent: DAI-(CHI KANGYO BANK (LUXEMBOURG) S.A.; 2. Boulevard de la Foire, place de l'Esolle, L-1528 Luxembourg or the Paying Agent: THE DAI-ICHI KANGYO BANK, Limited, DKB House, 24 King William Street, London BCAR 9DB.

Accrued interest due 20th March, 1995 will be paid is the normal manner against presentation of Coupon no.5,

Dai-Ichi Kangyo Bank (Luxembourg) S.A. Principal Paying Agent

Date: 15th February, 1995

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1577

lift Eli Lilly to \$316m in final period

By Tony Jackson in New York

Eli Lilly, the US pharmaceuticals group, pro-duced net earnings in the fourth quarter of \$315m before special charges, or \$1.08 a

In the previous year the company made a fourth-quar-ter loss of \$524m as a result of estructuring and other

per cent partly offset by a 2 per cent fall in selling prices. Net income for the year was \$1.4bn, or \$4.84 before excep-

the anti-nicer drug Axid, the human growth hormone Humatrope and Humulin, or

of managed care programmes and higher rebates on Medic-

Overseas sales rose 17 per

Consortium wins right to help Cadillac

By Bernard Simon in Toronto

A Toronto court has allowed a consortium comprising Blackstone Group, the New Yorkbased investment manager, and the Ontario teachers' pension fund to begin negotia-tions on a C\$1bn (US\$714m) plan to revive Cadillac Fair-view, the Canadian property developer which is under court

The plan, which would give Blackstone and the pension fund a 31 per cent equity stake, has been endorsed by However, it is unlikely to

win approval in its present form from Cadillac's creditors Mr Justice Farley predicted

"rough-and-tumble negotiations" in coming weeks. A court order requires creditors and shareholders to vote on a final restructuring by April 7. Cambridge Shopping Centres, a Canadian group, has indicated that it plans a rival offer. Cadillac rejected an ear-lier Cambridge bid.

The negotiations will be made easier by the withdrawal of a controversial hid by a real estate fund controlled by Gold-man Sachs, the US investment bank. Other parties had expressed concerns about a potential conflict of interest, because Goldman is a Cadillac creditor, holding 35 per cent of its senior debt. Cadillac blamed Goldman for forcing it into court protection in

December.
The Blackstone plan comprises C\$312m of new equity, C\$300m in new loams, C\$300m from a rights offering to subordinated debenture to superminated depending, and CS188m from the purchase of Cadillac's stake in two flagship developments, the Toronto-Dominion Centre in Toronto and Vancouver's

ITT identifies buyer of unit

PTT, the US conglomerate, has named General Electric Capi-tal, the financial arm of Gen-eral Electric, as the buyer of \$1.8bn worth of its financial services businesses. The businesses consist of equipment finance, small business finance and commercial real estate services, writes Tony

ITT said in December it would sell the businesses to an unnamed buyer for \$1.5bm, when it sold a further \$5.70m of its financial service interests to Deutsche Bank of Germany and Norwest of the US.

The final piece of its financial service are interest.

cial services empire, reinsur-ance, has yet to be sold.

NEWS DIGEST

Packer raises stake in Fairfax to 13.72%

Mr Kerry Packer's Publishing and Broadcasting group yesterday confirmed that it had raised its stake in John Fairfax, the Australian newspaper group, to 13.72 per cent as a result of recent market purchases, writes Nikki Tait in Sydney.

PBL's previously-notified interest was 12.84 per cent

In addition, Mr Packer's interests hold certain non-voting convertible debentures, which would take his stake in Fairfax to 16.4 per cent on a fully-diluted basis.

This breaches the 15 per cent level at which Mr Packer was thought to be pegged by Australia's media cross-ownership rules, and the situation is being examined by the Australian Broadcasting Authority. However, it seems likely that Mr Packer will argue the recent increase in his Fairfax stake does not amount to a "control" position at the publisher — which also has Mr Conrad Black, the Canadian media magnate, and Mr Rupert Murdoch on its share register.

Turnover at AGF rises to FFr69.4bu

Assurances Générales de France, the state-controlled insurer scheduled for privatisation, yesterday reported turnover up 6.4 per cent to FFr69.4m (\$13.19m) in the year to December

31 1994, writes Andrew Jack in Paris. Non-life premiums in France rose by 11 per cent to FFr19.5bn and total income from out side the country increased by 17.1 per cent to

FFr23.6bn during the period. However, life assurance premiums in France an area in which the company says its priority is profitability - dropped 4.4 per cent o FFr20.7bn, while total reinsurance income fell 5 per cent to FFr5.6bn.

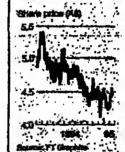
Total turnover on a constant basis rose 2.2

per cent, with the larger overall increase coming from the consolidation for the first time of three acquisitions: AGF Union Fentz, SFAC and Assubel. Internationally, it said comparable turnover

rose 8.3 per cent largely due to the develop-ment of pension funds in Chile. It did not consolidate Aachener und Münchener during

Separately, the French federation of insurance companies estimated that the total cost to its members of the floods affecting almost half of the country's regions last month were likely to be FFr4hn.

CSR plans to shake up sugar operations



CSB, the Australian group whose interests range from building products to aluminium announced yesterday that it planned to relocate and restructure its refining sugar operations in Australia and New Zealand, writes Nikki Tait. Historically, CSR has been Anstralia's largest producer of refined sugar, but it has come under

heavy pressure recently from Mackay Refined Sugars, a joint venture between the Mackay Sugar Co-opera-tive and E.D. and F. Man, the London-based trading house, which runs a new low-cost refi-

CSR initially attempted to join forces with MRS, but the Trade Practices Commission blocked the deal Late last year, MRS filed a statement of claim against CSR alleging that the company had tried to force it out of the market through predatory pricing. CSR denied any such conduct.

CSR said yesterday that it was introducing "new techniques" which would lead to "signifi-cant changes to the way refined sugar is pro-cessed". These would involve producing higher-grade raw sugar from mills in Queens-land, where Australia's sugar is grown, and led to cutbacks in processing at city refineries. CSR did not detail the "new" processes, but said that it would take a ASIS in (USSI) 24m)

said that it would take a A\$15.1m (US\$11.24m) asset writedown, against reserves, as a result of the restructuring. It would also incur a A\$15.8m abnormal charge after tax, to cover

CRA awaits right time to reopen PNG mine

CRA, the Australian mining group, said yesterday that it intended to resume operations at the Panguna copper mine on the Papua New Guinea-controlled island of Bougainville "when conditions permit", writes Nikki Tait.

These would include political stability on the island, where secessionists have been fighting a guerrilla war with PNG forces, and a consensus in favour of mining among the community.

The Australian company added that mine production could probably begin within 18 months of a decision to reopen and it calonlated the current cost of re-opening at Kina 350m-500m (\$300m-\$427m), about Kina Kina 350m-500m (\$500m-527m), about Kina 50m more than previously estimated. Local disquiet at diversion of wealth from the Pan-guna mine to mainland PNG was one of the catalysts for the outbreak of violence on the

National Gypsum earnings advance 88%

National Gypsum, the US plasterboard people ducer facing a bid from a group of North-Carolina investors, said earnings in its month justier rose 88 per cent to \$26.5m on sales in 23 per cent at \$167m, writes Tony Jackson. The company said that while volume sales of

wallboard in the quarter were down 2 per cent prices were up 30 per cent year on year.
For the full year, earnings were \$88m, were \$88m, compension \$3.85 a share, on sales of \$881m. Compension figures are not available, since the company emerged from bankruptcy in the summer of

Two days ago, the company rejected a second offer from Delcor, the North Carolina conscrition, involving the injection of \$1500 into the company. An initial \$940m bid made last November had already been turned down. National Gypsum said: "We continue to believe that a sale of the company at this time would not be in the best interests of stockinid-

Alcatel Alsthom sales increase to FFr167bn

Alcatel Alsthom, the French transport, tale coms and engineering group, yesterday announced a 7 per cent increase in sales last year to FFr167.7on (\$31.87bn), writes John Ridding in Paris.

However, excluding the effect of the acquisi tion of STC, the underwater cables division, turnover was stagnant. Orders edged higher to FFr159.9bn for the year, compared with FFr157.8hn in 1993. On a comparable bests however, orders fell by 5 per cent. The release of sales figures coincided with

new allegations of overbilling by the compa-ny's cable subsidiary, Alcatel Cable, to Edit, the state electricity utility. Shares in the sub-sidiary fell sharply, losing FFr15 to FFr378. Alcatel rejected the report.

The allegations are the latest in a series which have included claims of overbilling for France Telecom by Alcabel CIT, the group's telecoms equipment subsidiary. Separately, Mr. Pierre Suard, group chairman, has been inves tigated concerning the payment of work carried out at his private residences.

By division, turnover in the telecoms equip-ment slipped from FFr75.4bn to FFr75bn. In all other divisions, turnover increased.

The rise was strongest in the cables division and at GEC-Alsthom, the engineering joint venture between Alcatel Alsthom and GEC of

Bellcore to act as HQ for telecom consortium

Bellcore, the research arm of the regional Bell operating companies and other telecommuni-cations companies, said it would act as headquarters for a new international consortium that plans to design a general framework toenable new worldwide telecommunications. services to be more easily introduced and managed, reports Renter from Red Bank, New

The research laboratory said the Telecommunications Information Networking Consortium, or Tina-C, would consist of more than 40 international companies.

The aim of the consortium is to arrive at new standards for providing greater interoperability between international telecommunica-

Danone expands in Polish dairy sector

Danone, the French foods group, said it had become the largest producer of fresh dairy products in Poland after acquiring Warsaw's biggest dairy, Wola, and a 70 per cent stake in the Mildes dairy, the biggest producer in southern Poland, Reuter reports from Paris. Danone did not disclose the terms but said the two dairies generated combined annual turnover of FFr170m (\$32.1m).

St Lawrence turnround

St Lawrence Cement, the Canadian group controlled by Holderbank of Switzerland, returned to profitability in 1994 on the strength of a quickening economy and higher shipments and prices for most products in Canada and the north-eastern US, writes Robert Gibbens in Montreal.

Fourth-quarter net profit was C\$5.7m (U\$\$4.07m), or 13 cents a share, up from C\$2m, or 4 cents, a year earlier, on sales of \$175m, up 21 per cent. For all of 1994, net profit was \$13.7m, or 30 cents, against a net loss of \$7.2m, or 20 cents in 1993. Sales were \$575m, up 13.5

AT&T forms consultancy and network management division

By Alan Cane in London

AT&T, the largest US telecommunications operator, has furmed a business to exploit its skills in consultancy and net-

work management.
The unit, AT&T Solutions,
will be headed by Mr Victor
Miller, who has been credited with building up Andersen Consulting, the US-based business and technology consulting company, into an international company. More recently, he was head of the consultancy side of Unisys, the US computer and information services

company.

Mr Millar will report to Mr Victor Pelson, chairman of AT&T's global operations.

The aim of AT&T Solutions is to provide a "one-stop shop" to large corporate clients. designing, building and manage ing communications networks in addition to consultancy and m sanitum to consultancy and systems integration. It will include outsourcing — taking responsibility for a customer's systems and staff against an agreed level of service.

Outsourcing is expected to be a \$77bn business worldwide by 1997.

It is AT&T's fifth business division, the others covering the company's traditional tele-phone business, manufacture of large switches, private branch exchanges and handsets and GIS, formerly NCR the computer manufactures

The unit will be managed in the US by Mr Millar and by Mr. Sergio Glacoletto, European

The unit begins business with more than 100 customers for advanced network manage ment services with a total backlog of orders valued at more than \$15m. Yesterday it announced a seven-year, \$160m contract with Great Western Bank to provide networking avstems,

Competitors yasterday suggested AT&T was comparatively late in moving to services and consultancy. The Syntagra distalant at British Syntegra division of British Telecommunications, one of AT&T's chief rivels, has been in operation for two years.

Total Total

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Reuters

Buoyant chemical prices help group to show best quarterly performance since 1990

BP turns in 36% advance to £427m

By Robert Corzine

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Buoyant chemical prices boosted British Petroleum's fourth quarter replacement cost profits to £427m, a 36 per cent rise on 1998 and the company's best quarterly performance since 1990.

The results, which were at the top end of analysts' expectations, took full year profits to £1.48bn, 32 per cant up on 1993's £1.12bn. The shares closed down 7p at 419p. Fourth quarter earnings per

share were 7.8p, compared with 5.8p in 1993. The full year figure was 27.1p (20.7p). The results were achieved in spite of an 6 per cent fall in crude oil prices and a 21 per

cent decline in refining mar-

gins, the steepest such fall in was that BP was on track to seven years.

The confident mood of the BP board was reflected in a 20 per cent rise in the quarterly dividend to 3p a share, against 2.5p in the previous three quarters and 2.1p e year earlier. The dividend is still lower than the peak rate of 16.8p in 1992, but Mr David Simon,

chief executive, said the com-pany was committed to a "competitive" dividend policy. Lord Ashburton, chairman, said BP was now generating substantial free cash flow, enhancing the board's flexibil-ity in allocating the surplus between dividend growth, capi-

tal expenditure and further The message from Mr Simon

meet new performance targets set in December last year in spite of a tough operating environment in most market segments aside from chemicals. The chemical profits of \$252m were the highest since

Margins, which began to widen dramatically in the fourth quarter, were likely to improve further, at least in the early part of 1995. Exploration and production

profits proved more resilient than many analysts expected. Operating profits of £522m were five per cent up on the third quarter and the best since the end of 1990.

But full year operating profits of £1.87bn were down somewhat on 1993's £1.93bn. Marketing margins were stable in spite of recent unseason-

ebly warm weather in the northern hemisphere. Mr Simon said underlying demand for petroleum products was "fairly healthy," given the expectation of continuing economic growth in the industria-

lised countries.

The sharp decline in refining margins in the fourth quarter was mainly due to special factors in the US.

But the 20 per cent average decline over the year, attri-buted to new capacity coming onstream, was a "significant number." he said.

Strong cash flow, lower capital expenditure and disposal income allowed BP to repay

\$1.93hn last year. Debt, set to fall to \$8bn by 1997, was down to \$10.5bm at the end of 1994. with gearing et 60 per cent. The reduction in debt led to a 20 per cent fall in interest

charges last year to £542m. BP is to expand its capital expenditure programme in But Mr Simon said the company was using its assets more effectively, with an 11.5 per

cent return on capital amployed last year. This figure is toward the top of the industry range. In addition BP was directing

e greater share of its capital

expenditure to fast growing

markets in Asia and Latin See Lex an overall profits decline. With gearing down to 58 per cent, Hanson

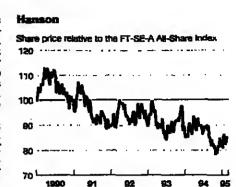
LEX COMMENT

Cyclical Hanson

Once again, the momentum of profits growth at Quantum Chemicals is exceeding expectations. Increased contributions from Quantum and the propage business purchased with it added about £75m to Hanson's first quarter profits. Overall, Quantum should boost group earnings per share by about 13 per cent this year, demonstrating that Hanson can still add substantial value through acquisition, in spite

The problem for Hanson is what happens when Quantum's earnings cycle turns downwards. Taking out Quantum and the impact of the 1993 US coal strike, core profits growth came to about 16 per cent, against a headline figure of 58 per cent. Even this was flattered hy bulk buying of cigarettes before the UK's second budget, artificially boosting Imperial Tobacco sales. Overall, the cyclical husinesses performed well, apart from timber. But when the cycle turns, steadier businesses such as propane, coal and cigarettes will not prevent

could handle a £2bn acquisition of s business with a solid balance sheet. Given its evident desire for UK non-cyclical earnings, its



rumoured interest in electricity distributors is therefore understandable. This would smack of financial engineering - to off-set advance corporation tax write-offs - and would scarcely offer opportunities for the standard Hanson husiness turnround. Nonetheless, until the group can lesseo the cyclical emphasis of earnings, its market rating is unlikely to improve.

Reuters advances 16% to £510m

By David Wighton

Reuters, the financial information and news group, reported e 16 per cent rise in 1994 pre-tax profits from £440m to £510m, but warned that underlying revenue growth would be slower in 1995.

Mr Peter Job, chief executive, said the year had genereted "exceptional" revenue growth of 23 per cent to £2.31bn (£1.87bn). "It would be difficult to improve on that at the same rate of growth."

He said the group had benefited from strong growth in transactions products, record sales of information products and from significant acquisi-

He also warned that the problems of some of Renters customers, particularly those that had suffered from the fall in bond markets a year ago, would have some effect on its

"Common sense tells you that if a number of financial institutions are cutting back it must have some impact." He said that the group's net new orders had peaked in the first quarter of last year, but added: "We have not heen

snowed under by a wave of cancellations." He also pointed to some positive trends including the recent strong turnover figures on the New York Stock

Exchange.

Excluding acquisitions such

as Teknekron and Quotron revenues grew by 17 per cent and margins edged higher. Includ-ing the lossmaking Quotron, operating margins slipped to 19.9 (20.3) per cent.
The acquisitions boosted rev-

enues from the Americas by 49 per cent to £424m, helped by increased sales of information management systems and good growth from datafeeds and Dealing 2000. But the Americas' contribution rose only 6 per cent to £39m, excluding Instinct, the fast-growing equity dealing system, where profits rose 39 per cent to

Profits from Asia/Pacific were flat at £175m due to the costs of expansion in China

and India, and the difficult trading conditions in Japan where "a lot of foreign banks are moving out". Profits from Europe rose 17 per cent to ing markets rose by nearly a third to £168m and Mr Job expressed confidence despite the problems in Mexico.

But Mr Job said that given the opportunities for investment further share-backs were not "at the top of our minds". The £350m share buy-back in 1993 meant that the profit growth translated into a 20 per

cent rise in earnings per share to 21.7p (18p). The shares fell 8½p to 498½p yesterday. See Lex



Peter Job: 23 per cent revenue

GKN severs its steel ties with £93m sale of UES minority

By Tim Burt

GKN, the engineering group, yesterday confirmed it was severing ties with the steel industry after almost a decade by selling its minority stake in UES Holdings to British Steel

The disposal follows more than three months of talks between the two sides and closes e chapter on the history

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created in 1986 in the higgest government-backed "Phoenix" reorganisation of the steel

industry. "It is a momentous day and marks the end of steel in GKN," said Sir David Lees, chairman. British Steel, which has 63.9 per cent of UES, also welcomed the move and pledged to improve its finan-

cial performance. GKN decided to sell its stake incurred losses of £48.1m in 1993 - move into profit last year. UES made pre-tax profits of £18.2m as rising demand for high grade engineering steel pushed turnover up from £591m to £658m.

Although Sir David admitted that GKN would show a £59.6m loss on the sale of its £152.6m investment in UES, he said it had got the best possible price given the cyclical nature of the of United Engineering Steels, after seeing UES - which industry.

RESULTS Total inst 9.75 8.4 1.08 11.7 (1,232) Affect Wish 4 Yr to Dec 31 1,189 341.2 (1,302) (1,1) (1729) (1,037) (440) (3,5) 2,281 1,82 272 10.5 2.36 (-) (7.05) Flying Florens Yr to Dec 31 (2,869) (3) (1,874) (17) 0.4 21.7 8.2 3 miths to Dec 31 0.104 510 13.2 . Yr to Dec 31 Total bad (2.53) __ 6 mths to Dec 31 ... Yr to Dec 31 269.5 (292.2) mits to Dec 31 112.32 (116.65) ... Yr to Dec 31 104.5 (121.2)

Dividends shown not. Figures in brackets are for corresponding period. Firsh currency. **Compensors restated. **After £96.7m exceptional charge. **Value £58m exceptional charge. **Toosa to non-lessor residents. **Fourth quarterly.**

SG Warburg sets up Beijing office

By John Gapper in London and Tony Walker in Beijing

Executives at SG Warburg, the investment bank, have started a review of operations which is expected to lead to joh cuts following the resignation of Lord Cairns, the

bank's former chief executive.

The bank also disclosed two initiatives in its effort to restore calm following the resignation at the weekend, which came in the wake of the failed attempt to merge with Morgan Stanley, the US bank. It announced both the opening of a rep-

resentative office in Beijing, and the recruitment of a new head of equity sales. The recruitment followed the defection of the two co-heads of equity syndication to Morgan Grenfell last week.

Mr Michael Gore, vice chairman, dismissed suggestions that the leadership upheavals would affect its Asian busine He said Warburg was determined to huild on its solid foundation in China where it had been active since the 1970's.

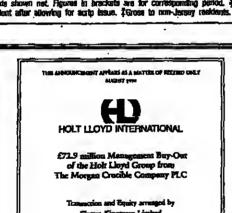
Warburg's Asian staff, excluding Japan and Australia, had grown from 112 to 320 in four years and was still expanding. Mr

Gore said China had a "number of world-scale companies" and remained an attractive investment destination. The five-strong executive committee, led

hy Sir David Scholey, who has become executive chairman, is to meet this weekend to work on the review, which is thought likely to be completed by the financial year-end in March.

Warhurg directors said they would be seeking ways of increasing revenue by selling a wider variety of products.

One director said it would "look hard" at UK operations where most costs lay.

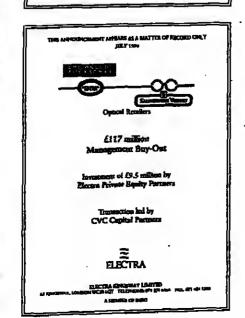


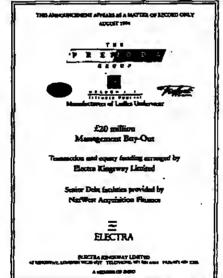
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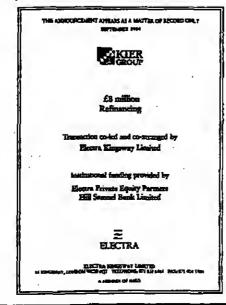
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ASCOT HOLDINGS PLC issue of £15 million muted Loan Stock with War ELECTRA STATE THE PARTY OF STATE OF



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1994 TRANSACTIONS

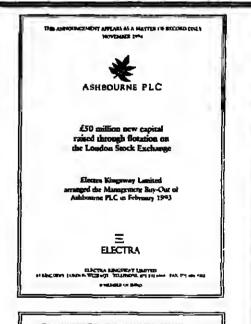
UK & CONTINENTAL EUROPE

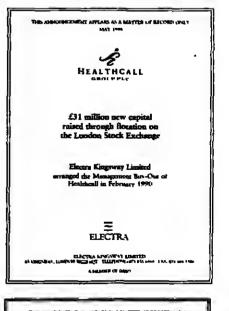
The principal activity of Electra Kingsway is the provision of equity capital for private companies and unlisted equity instruments for public companies. Funds under our management are invested in a variety of equity transactions where capital is required for management buy-outs and buy-ins, expansion and refinancing. Our principal areas of activity are the UK, Continental Europe and the USA.

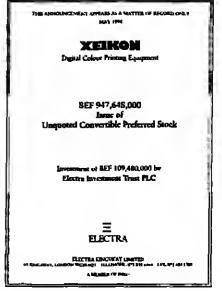
ELECTRA KINGSWAY LIMITED 65 KINGSWAY, LONDON WC2B 6QT TELEPHONE: 071 831 6464 FAX: 071 404 5388 MEMBER OF IMRO

EURODOLLAR Electra Private Equity Partner red £13,3 million in the Management Boy-Oet of EuroDollor in August 1993 ELECTRA

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Quantum boost for Hanson first quarter

Hanson reported a sharp increase in first quarter profits following a strong performance by Quantum Chemical, its North American polyethylene Subsidiary, and buoyant sales by Imperial Tobacco.

The Anglo-US conglomerate saw pre-tax profits rise from £172m to £272m, (\$420m) on sales 10 per cent ahead at 23.16bn (£2.87bn) in the three months to December 31.

"This excellent result confirms our forward momentum. Quantum in particular produced an outstanding performance," said Mr Derek Bon-

The figures were flattered.

Scotia Holdings, the UK's second biggest

biotechnology company by market capitalisa-tion, has made its first acquisition, LipidTeknik

of Sweden, in a deal worth up to £7m from

The Swedish technology improves the solubil-

ity of Scotia's products, making it possible for

Karlshamns, the Swedish food company.

however, by the distorting effects last time of the 1993 US coal strike, which wiped £66m off profits at Peabody and £68m of disposal profits.

Nevertheless, operating profits from continuing operations more than doubled from £148m to £321m, including a contribution of more than £80m (£25m) from Quantum, which succeeded in passing on large raw material price rises.

Those profits were also boosted by increased demand for imperial'e cigarettes, particularly in the UK, where the government's decision to hold two budgets persuaded retailers to build up advance stocks. Mr Bonham warned that, in the absence of such factors this

report the same rate of growth for the year to September 30. Full-year profits are forecast to reach £1.25bn pre-tax.

In the first quarter, the only threat to that assessment was posed by flat profits from Cavenham, the timber division, and reduced sales by Suburban Propane, the US gas retailer, which suffered slack demand during unseasonably mild weather at the end of last year. The group is likely to benefit

from a lower tax charge due to accrued losses brought forward following the 1993 Quantum acquisition and an increased proportion of profits derived from North America.

Scotia Hldgs acquires LipidTeknik them to be taken by the spoonful rather than in capsules.

The initial consideration is 1.5m shares with a maximum 2m shares payable, equivalent to about 3.2 per cent of Scotia'e equity. LipidTeknik is lossmaking. Scotia will write

off £2m against reserves in the next two years.

North Electric bid decision welcomed

By David Wighton

The decision not to refer Trafalgar House's bid for Northern Electric to the Monopolies and Mergers Commission was welcomed by competition lawyers yesterday.

Mr Nigel Part, a partner with City lawyers Ashurst Morris Crisp, said that to refer the bid would have been to use "a sledgehammer to crack a nut" and would have gone against the whola thrust of government merger policy over the last ten years. And there there was cause

for celebration at Swiss Bank Corporation's London offices. The decision pushes into the background the controversy over its dealings in electricity shares ahead of the bid. However inquiries into the derivatives contracts agreed

between Trafalgar and SBC

continue. The inquiries centre

on purchases of electricity company shares by SBC's mar-keimakers after its corporate finance department agreed a number of "contracts for differences" with Trafalgar. Mr Parr added: "The [refer-

Mr Parr said the decision appeared to reflect the OFT's althy caution about making ral] decision is consistent with use of the new powers.

the government's competition reference criterion starting with the "Tebblt Doctrine"

the Office of Fair Trading

could have recommended to

the Department of Trade and

Industry that the bid be

referred unless Trafalgar

agreed to "behavioural under-

takings" suggested by the reg-

Under the recent Deregu-

lation and Contracting Out

Act these undertakings would

for the first time have been

should not be referred the

assurances given by Trafalgar

to the DTI have no staintory

legally binding. But bec the OFT recommended it

Allied Irish seeks further stakes in eastern Europe

By John Gapper, Banking Editor

through to Mr Heseltine's own Allied Irish Banks may take The bid for Northern further stakes in banks in eastappeared to involve no compeern Europe, it predicted yestertition issues. But the electricday while disclosing a rise in pre-tax profits to 16341.2m ity regulator raised concerns about his ability to carry out (\$527m) in the year to December 31. The restated 19195.9m last time was after exceptional his statutory duties if Northern was part of a much larger costs of 1596.7m. To address these concerns

Allied Irish, which has taken a 16 per cent minority share in Wielkopolski Bank Kredytowy, a Polish regional bank, said that it might look for further minority shareholdings in banks in the Czech Republic or Stovenia.

Mr Hugh Feeley, group general manager, said he "would not rule out" further moves elsewhere in eastern Europe. AIB attempted to buy a stake in Budapest Bank in Hungary

A final dividend of 6.4p is proposed, giving a 12.8 per cent rise in the total to 11p (9.75p). Total operating income fell by 3.5 per cent to 121.19bn (151.23bn), because of a drop in the net interest margin from 4.33 per cent to 4.04 per cent.



Light was the Magn Feeley, left, and Neil Dean: expect further growth in assets

This was mainly because of a grew by 5.4 per cent. squeeze on deposit margins in

Mr Neil Dean, chief financial officer, said that virtually all the narrowing of the net interest margin had taken place in the first half of the year, and competition on Irish special savings accounts had now

Loans and deposits in Ireland grew by 10 per cent, while loans in First Maryland Bancorp, its US subsidiary,

Mr Dean said the bank expected assets to continue growing at the same rate this Income suffered from a poor

performance in its capital mar-

kets division which contrib-uted 1£44.2m (1£56.9m). Profits of AIB Bank, the Irish and UK arm, rose by 27 per cent to I£187.5m (Æ148m), while those of First Maryland

rose by 25 per cent to I£109.5m (IE87.7m).

Beach Blanket Babylon, the

Courtaulds £10m sale to Chemfab

Courtaulds, the international chemicals company, is selling its Lancashire-based Performance Fabrics business in two separate transactions.
Typeflor, which supplies

high performance fabrics coated with non-stick polymers, is to be sold to the Chemfab Corporation of the US for £9.7m (\$15.03m).

In addition, Fothergill Engineered Fabrics, a specialist in technical textiles for thermal and ballistic protection and composite reinforcements, is being sold to private investors. In the year to March 31 1994. combined turnover of these businesses was £16m.

Flying Flowers

Flying Flowers, the Jerseybased flowers-by-post group, has established links enabling it to add South Africa to its growing list of destinations. The group, which produces about 5m standard carnation blooms a year, already has an

Europe, Australia, New Zealand and the US. My Kinda Town buy My Kinda Town, the theme restaurant chain, is to pay £1.5m for Roland Holdings, owner of

restaurants and bars including

international service covering

March by a further 2100.000 cash and £400,000 new ordinary shares in My Kinda Town.

For the year to May 31 1994, during which only Beach Blan-ket Babylon was trading, Roland announced pre-tax profits of £134,000. .

Mwah Mwah Bar and Sec'e and

The initial consideration is £1m cash, to be followed in

Borland disposal Borland International, a US

software company, has sold its consumer software products side to Starfish Software a new company headed by Mr Philippe Kahn, Borland's chair-man, for an undisclosed sum. Borland will receive a minority stake in Starfish, but will not be involved in its manage-

ment. Borland will now discon-tinue its Simplify consumer products side and concentrate on software developers.

TR Pacific

TR Pacific Investment Trust reduced its exposure to Hong Kong in 1994, down from 19.8 per cent to just 9.1 per cent of the portfolio, and increased weightings in South Korea, Taiwan and Thailand.

The new year, however, had not been kind to the trust; the sharp reverses shown by east Asian stock markets since the year-end left net assets per share down further to 90.1p by January 31, representing a £20m decline in the value of the portfolio during the month.

Babcock finds lifeline in China

A fter the pain of a quick-fire restructuring in its energy division, the gain is emerging for Babcock its part, says Mr Nick Salmon, group chief executive. Last week's contract was for boilers using anthracite rather than international in the shape of \$500m of new business building coal-fired boilers for Chinese power stations.

Last week, the company announced it would build four boilers worth \$300m for two new power stations in Shandong Province. Two weeks ear-lier, Babcock picked up \$200m of work building four more boilers, for two power plants in Lianning Province. The contracts, won by Bab-

cock Energy as part of a con-sortium with Westinghouse Electric, are "letters of award" and have yet to be formally signed, although signing of the Lizoning order is due this

For Babcock Energy, they are a lifetime. No boiler manufacturer can afford to ignore a Chinese market which, in 1993, accounted for 58 per cent of worldwide coal-fired boiler orders. But pressure on prices, and hence margins, are intensifying, increasing the need for suppliers to reduce costs. Winning the contracts is due

in large measure to the turn-round at the energy division since last April. This has been a vital part of the new management's three-year corporate plan, unveiled with a £78.5m rights issue for reviving the group and strengthening the balance sheet.

"The key thing for winning these orders has been improving our competitiveness," he says. "The division has now proved that it can deliver." Technology has also played

bituminous coal. "Few of our competitors have e good track record [in anthracite boilers]." The energy division's restructuring recognises market trends that increasingly

oblige western suppliers to share work with manufacturers in the country where orders are won. China's Wuhan Boilar Works, with which Babcock Energy has a co-operation

agreement, will do some work on the latest contracts. The energy division needed some big orders to convince the City that the restructuring was worthwhile

ow, the Chinese orders Will keep Renfrew loaded for three years and provide work for the engineering business in Crawley, Sussex, for two years, says Mr Parker. He stresses, however, that Babcock has not simply bought work at no profit margin. "Recently we have turned down three heat recovery plants, worth probably £80m of business, because margins were insufficient," he says. The margins on the Chinese

contracts are satisfactory, he says, although profits will be "back-end loaded" over the next two to three years. So it . will be a while before they have an impact on group pretax profits, which were a modest £2.8m for the half-year to September 30, compared with a loss of £9.2m a year earlier.

Andrew Baxter

INFORMATION FROM THE BANK OF ENGLAND



ISSUE OF £2,000,000,000

8½% TREASURY STOCK 2005

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER FOR AUCTION ON A BID PRICE BASIS ON 22 FEBRUARY 1995

PAYABLE IN FULL WITH APPLICATION

This Stock will, on tense, he on investment falling within Part II of the First Schedule to the Trustee Investments Act 1961, Application has been made so the London Stock Excludes for the Stock to be admitted to the Official List on 27 February 1995.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invitability for the above Stock.

. The principal of and interest on the Stock will be a charge on the National Loans and, with recourse to the Consolidated Fand of the United Kinedom.

4. Stock issued under this prospectus will rank in all respects part passus, and will be immediately fungible, with the existing Stock and will be amalgamented with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 25 September 1994, the original Issue date of the Stock, until scullement on 23 February 1995 at the rate of £3.42329 per £100 nominal of Stock.

The Stock will be registered at the Bank of England or at the Bank of Ireland, libst, and will be bransferable, to multiples of one permy, by instrument in writing accordance with the Stock Transfer Act 1963. Stock registered at the Bank of agismal beld for the account of manufers of the CGO Service will also be bransferable.

Interest is psyable half-yearly on 7 June and 7 December. Income tax will be stated from payments of more than 55 per annual. Interest warrants will be smitted by post. This further issue of the Stock will rank for the first interest

The Stock and the interest psyable thereon will be exempt from all United Kingdom anaton, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled not ordinarily resident in the United Kingdom of Great Bitinia and Northern Incland.

Forther, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial workship of persons who are not unlinearily resident in the United Kingdom of Great British and Northern Ireland.

Applications for exemption from United Ringdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lyawood Road, Thames Dimon, Surrey, KT7 ODP.

12. These examptions will not entitle a person to Claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income not law, under the provisions of the Taxes Management. Act 1970. Section 43 (1), no such claim will be outside this time limit if it is reade within six years from the date on which the interest is payable. In addition, these exemptions will not apply no to to exclude the interest from any compountion for taxation purposes of the profits of any trade or business earlied on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, nearest or intere, of the United Kingdom directed to preventing avoldance of the substance. In the United Kingdom, and, in particular, the interest will not be exempt from income my where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

13. Bids may be made on either a competitive or a non-competitive bosts, as set on below, and must be submissed on the application form published with the prospectus Each application form must competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids be telephone to the Bank of England not later than 10.00 am on Wednesday, 22 February 1995.

14. Application forms past be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to serive not later than 10.00 AM ON WEDNESDAY, 22 FEBRUARY 1995; or lodged by band at the Central Gibs Office, Bank of England, Bank Buildings, 19 Old Levry, London not later than 18.00 AM ON WEDNESDAY, 22 FEBRUARY 1995; or lodged by band at any of the Branches or Agencies of the Bank of England not later than 3.00 PM ON TUESDAY, 21 FEBRUARY 1995. 2lick will not be revocable between 10.00 am on Wednesday, 22 February 1995 and 10.00 am on Monday, 27 February 1995.

Each competitive hid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a relationem of £500,000 combins of \$500ck, and for a tendingle of \$500ck as for \$150ck as \$

Unless the applicant is a member of the CGO Service, a separate chaque representing PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF ELAZISS PER £100 NOMINAL OF STOCK

. The Stock may be held on the National Savings Stock Register

£106 per £100 nominal of Stock With a non-competitive bid

(iii) Unless the applicant is a member of the CCO Service, a approve cheese representing FAYMENT AT THE BATE OF £166 FOR EVERY £160 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; thoughout must be dearn on a bank in, and he psychic in, the United Kingdom, the Channel islands or the lale of Man.

The Bank of England reserves the right to reject say non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price plus accrued leserest at the race of 23.4229 per £100 nominal of Succk. The son-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and EOUNDED DOWN TO THE NEAREST MULTIPLE OF UZIND OF SL.

If the non-competitive sale price, plus accresed interest, is less than £106 per £100 nominal of Struck, the behause of the amount paid on application will be refunded by chaque despatched by post at the risk of the applicant.

by cleanest despiration by less it the risk of the apparatus.

If the non-competitive take price, play secured interest, is greater than £106 per £100 nominal of Sinck, applicants whose non-competitive bals are accepted easy be required to union a further payment of the ten-competitive sale price, plus accreate interest, less £100 for every £100 nonistant of Sinck affected to liver. An applicant from whose a further payment is trappired will be notified by letter by the Bank of Engiand of the summent of Sinck affected to him and of the further payment due, but such notification will confer on tight on the applicant to transfer the amount of Sinck so allocated. The despirate of affectment letters to applicants from whom a further payment is required will be delayed until such further payment has been made to

17. The Bank of England may sell less than the full amount of the Stock on offer at

18. The Stock will be, and all previous issues of the Stock have been, initially issues 18. The Stock will be, and all previous issues of the Stock have been, initially issued to a price such that it will not be a deep discount security for the purposes of Schedule 4 to the income and Corporation Taxes Act 1986. Further issues of the Stock may be at a deep discount (bouedly, a discount exceeding 1/46 per session) and in certain circumstances this could result in all of the Stock being result describer is a deep discount security. However, it is the intention of lifer Majesty's Tressory that further issues of the Stock will be conducted so as to provent any of the Stock being treated as a deep discount security for United Kingdom tox proposes. Provided the Stock is neither a deep discount security for United Kingdom tox proposes. Provided the Stock is neither a deep discount security, and results as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent toyable income for the purposes of the relevant provisions.

19. Allotment letters in respect of the Stock sold, being the only from its which the Stock (other than amounts hold in the CGO Service for the account of mombern) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any allotment tenter, and the extend of any covers amount paid, may at the discretion of the Basis of England be withhold until the applicant a cheeper has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer on right on the applicant to transfer the Stock so allocated.

will be effected under separate arrangements.

22. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be excelled disect to his account in the CGO on Thursday, 23 February 1995 by metters of a member-on-tensible defirery from an account in the name of the Governor and Company of the Bank of England, Namber 2 Account. Pallars to accept anch delivery by the dessellas for member-to-member deliverses under the rules of the CGO Service on 23 February 1995 shall for the purposes of this prospectus constitute default in the payment of the amount psyable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender an allotment letter to the CGO for cancellation and for the Stock contrained to the member's account. The member whe is shown by the accounts of the CGO as being entitled to any Stock shall, so the exclusion of all persons previously entitled to such Stock and any person claiming any confidences thereto, both be treated as entitled in such Stock as if that member were the balder of an allotment letter and be liable for the psyment of any amount due in propect of such Stock.

FOR COMPETITIVE BIDS ONLY
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NATIONAL SAVINGS STOCK REGISTER: if you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 normical of Stock) please tick this box.

A separate checue must accompany each explication. Checues should be made payable to "Bank of England" and crossed "New Jestes". In respect of competitive bids, cheques must be drawn on a benefit or office, simulated within the Town Clearing sees, of a sentencent member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The procedure for any refused, or further amount payable, is set out in the

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GLI INP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, ZZ FEBRUARY 1995; OR LODGED BY FAND AT THE CENTRAL GELTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD SEWRY, LONDON NOT LATER THAN 10.00 AM ON 1 WEDNESDAY, ZZ FEBRUARY 1995; OR LODGED BY RAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 21 FEBRUARY 1995.

The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE RIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY HOP (PLUS ACCEPTED INTEREST): competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied to full or as part only.

Amount of Stock applied for £509,000-£1,000,000 £1,000,000 or greater

A non-competitive bid must be for not less than £1,000 nominal and not more haz £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal

Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

20. No sale will be made of a less amount than £1,000 nominal of Stock: If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despacehod by post to the risk of the application is rejected the amount paid on application will be removed the terminal paid on application will be resounted therwise. Non-payment on presentation of a cheque to respect of any Stock sold will render such Stock liable to forfeiture. Insterest at a case equal to the Loudon haza-Bank Offered Run for seven day deposits in sterling ("LIBOR") plus 1% per amount may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the clue date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider approxime.

21. Allotment letters may be spilt into denomination of multiples of £100 on written request to the Bank of England, New Issues, Southgate Flouie, Southgate Street, Gloucester, GL1 IUW received not later than 9 March 1995. Such requests must be signed and must be accompanied by the allotment letters. Allotment letters, accompanied by accompleted by the allotment letters, accompanied by accompleted registration form, may be lodged for registration forthwith and in any case must be lodged for registration and later than 13 March 1995; in the case of Stock held for the account of members of the CGO Service registration of Stock will be efficient under separate aromanements.

23. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 IUW; as the Central Gibts Office, Bank of England, I Bank Balldings, Princes Street, London, ECRR 8EU or to say of the Branckes or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 3D Callender Street, Belliss, BT1 5BN; or at any office of the London Stock Exchange.

SBN; or at any otime or the Louisian Sinch, Education.

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Attention is drawn to the structurent leaved by Her Majesty's Theoremy on 29 May 1985

which explained that, in the interest of the orderly conduct of fiscal policy, neither Her

Majesty's Government nor the Bank of England or their respective servants or agents

materials to disclose that changes decided on but not yet amounced, even where they

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is issued or sold by or on behalf of the Government or the Bank; that on responsibility

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gie Moth commun FINANCIAL TIMES WEDNESDAY FEBRUARY 15 1995 *

FINANCIAL TIMES SURVEY

Corporate governance: Pay issue will not go away.....Page li

HOUSING ASSOCIATIONS

Private finance: Will enthusiastic lending continue?....Page IV

Wednesday February 15 1995



today's reality?

It is misleading in terms of scale. Housing associations now own more than 800,080 homes some 4 per cent of the total housing stock. In 1992-93, some 62,000 new dwellings were completed by associations; three times as many as in 1981-82. The largest associations - North British, Anchor and North - boast upwards of 20,000 properties each, which puts them on a p local authorities. m on a par with larger

Although the majority of tiny - 60 per cent own fewer than 25 homes - two-thirds of all association homes are owned by just 88 associations, so the majority is atypical from the perspective of tenants and

risen dramatically since the 1988 Housing Act, which established the present funding regime. Some £9.7hm of public channelled through the Housing Corporation, the quango responsible for regulating the sector and disbursing govern ment grants to associations, in respect of its mixed funded programme, A further £3.9hn has been raised in private finance to supplement the government spend, and another £2.2hn has been secured to finance the transfer of local anthority homes to honsing

LICHT Male

io Chemiali

Each year the government decreases the so-called "grant rate, the proportion of funding for new capital projects it is prepared to make available through the corporation. In 1988, the grant rate averaged 75 per cent; in 1995-96 it will have fallen to 58 per cent. Associations have a private finance





Principal providers for the insecure

the larger associations, credit reviews are as important as rent reviews, and investor interest shows no sign of abat-

Mr Anthony Mayer, chief executive of the Housing Corporation, hails housing associations as trail-blazers in the forging of public-private partnerships of the kind the government wants to see across Whitehall through the Private Finance Initiative (PFI) launched three years ago by chancellor. "Rents are for real," so the security is strong," he says. "It is a remarkable success story, with the private finance completely unguaran-

When it comes to objectives, however, housing associations are true to their origins. Their clientele remains the poor and insecure, now broadly defined as the lower quartile of households in terms of income. Indeed, many associa-tions - particularly the smaller ones - are unhappy with the race to the market over the past five years. They argue that the accompanying rent

that investment is being skewed towards associations

with the most impressive asset

portfolios and the least adventurous ideas The concentration of invest ment in the larger associations is undeniable, but the gainers do not accept that a lack of initiative has been the result. We place a high premium on innovation, and on meeting miche' needs, says Mr George Barlow, chief executive of Peabody Trust, London's largest

Peabody, founded by a Victorian Anglo-American philanthropist, epitomises both the sector's diversity, and the needs it confronts. The trust is far more than a housing association, pioneering a variety of integrated housing, youth and

retraining projects.

With valuable estate in central London, Peabody and its associated ventures have raised more than £185m of private finance in the past three years, out of a total investment

Investment in the sector has risen dramatically in recent years, writes Andrew Adonis. But associations face some daunting challenges



More than half of the association's new tenants now have an annual income of less than £5,000, and two-thirds are on state benefits. Peabody's average rent is about £37 a week. Private finance and a more

commercial approach to development have not, therefore, turned housing associations into vehicles for rejuvenating the private rented sector for



Housing Composition chief Anthony

Whether private renting - long stymied by rent con-trol and the English obsession with home ownership - will revive is a key issue for housing policy and the housing

The end of rent control, the erosion of mortgage tax relief and the collapse of the 1980s property boom have reduced the appeal of home ownership, particularly for those with mobile jobs and/or separating

total - was Greater London. which also has the highest rent levels in the country and con-16m the number of owner-occucentrations of severe poverty. pied dwellings is at its highest Associations face further number ever - two-thirds daunting challenge in the demise of local authorities as higher than in 1971 - and the British retain a deep economic housing managers. In the past six years, associations have to their title deeds. assumed responsibility for 157.000 former council homes on behalf of 35 local authori-

percentage of unfit dwellings - more than a tenth of the

ties. Another nine transfers,

involving 32,120 homes, are in

the pipeline for the present

Associations are expected to

win a large share of the poten

tial market of about £900m a

year for managing local

authority housing, for which

tendering will start this year.

For councils, the incentive for

transfers is stark; their 4m

homes are estimated to require

Housing associations may

not continue as sole providers

of new social housing. The

days of local authority con-

struction are over, but plans

circulating in Whitehall for

new-style local authority com-

penies, in the form of joint ven-

& QUADRANT

about £40bn-worth of repairs.

Whatever the future of the private rented sector, it is unlikely to involve housing associations to a significant degree. Housing investment trusts, private quoted companies enjoying government tax incentives, are in vogue as a means to that end.

Yet demand for social housing is unlikely to slow. Between 1971 and 1993, the pro-portion of the population with an income below half the average doubled to 21 per cent While real average incomes grew by 46 per cent over the period, the income of the 25th percentile increased by only 28 per cent.

Nor is sub-standard housing a thing of the past. A 1991 survey found 7.6 per cent of dwellings in England to be unfit. could bring councils back into the frame m a new guise. If they do, associations could play a significant role as con tract providers of services.

The question of local author

tures with the private sector

ity companies will feature largely in the social housing debate over coming months For housing associations, how ever, three issues are of more pressing concern: their own unding, the future of the Housing Corporation; and the internal management of hous-

The declining grant rate is part of the concern about funding But, more important, is the sharp cut in last Novem-ber's Budget in the government funding available through the Housing Corpora tion. At a stroke, the corpora tion's development programme £1.49bn to £1.18bn - down from

£2.4bn in 1992-93. As for the corporation, its dual role as funder and regula tor of the sector is unlikely to come into immediate question, although some believe the two should be separated. The question is whether its role should be further extended to that of ity housing companies.

Mr Mayer, while careful to stress that "this is a matter for ministers", does not doubt that the corporation has "the necessary competence and capacity to take on the role.

The issue of internal man agement of associations will come to the fore next month with a report by a committee of inquiry set up hy the National Federation of Housing Associations, Recommen dations are likely to focus on steps to bring a greater professional edge to management and investment committees.

The NFHA report will bring into the open the tension between the social and voluntary role of the associations, and their status as multi-million companies with complex commitments and increasing gearing. Whatever changes follow, the tension will remain. Building societies will spend the next few years merging with banks - not housing asso-

Tackling housing needs... helping the economy grow.

Housing associations:

- have raised £6 billion of private finance since 1988
- have produced over 50,000 homes each year since 1992
- provide a key market for the construction industry and keep thousands of building workers in employment
- manage over 1 million homes one in twenty properties in England
- are helping to regenerate our towns and cities
- are working to build and maintain balanced communities











BRADFORD & NORTHERN **Housing Association**



Circle Thirty Three Housing Trust Ltd













The 12 associations shown above are major providers of housing association homes.

POLITICAL INFLUENCES

Growing bill for benefit

The government holds up its record in social housing as a triumph for public-private partnership, and a role model for its private finance initiative.

Mr David Curry, housing and local government minister, reels off the figures. Private lenders have contributed more than £6bn to new housing association projects since 1988. This means, he says, that by March 1995 some 67,000 more homes will have been huilt than would have been possible from government grants alone.

This, of course, ignores the large and growing bill for housing benefit. This year, the bill is expected to top £10bn; more than double the 1988 figure in real terms. The proportion going to housing association tenants has risen even faster than the rest. About 80 per cent of them receive full or partial housing benefit.

The halving of government grants to housing associations over the past three years and the leap in housing benefit are linked. Government policy is to target peo-ple who need subsidy. Average housing association rents have therefore risen from £29 a week in 1989 to £54 a week now. and the government picks up the bulk of the tab through housing benefit. Associa-tious hidding for Housing Corporation funds do not even have to indicate what rents they will charge.
In November, Mr Peter Lilley, Social

Security secretary, took the first significant step to limit housing benefit, announcing that such payments would be reduced for tenants paying above-average rents for their type of property in their area. This is intended to give tenants an

incentive to avoid expensive housing. It because their rents are almost invariably below the local average. Mr Curry claims the changes are "as modest as you can get without disappearing, quite frankly".

However, the capping of housing benefits frightened private lenders. A recent review by IBCA, the European rating agency, speaks of "the intangible political risk which surrounds the sector" - mostly concerning the future of housing benefit.

Mr Curry understands these fears. "There is no point in trying to take measures to curb the benefit if the price is a singular disincentive for the private investor. Now that's a conundrum, because when your housing henefit is going towards £10bn a year, there's no point in sitting back and saying: 'Well, that sort of money doesn't matter, you just ride with it'." The solution, he suggests, lies in reviving the private rental sector and keeping its rents down, to make the rental market more competitive.

The rise in housing association rents also reduces the incentive for tenants to take low-paid jobs, because of the loss of housing henefit. When a tenant starts earning, up to 97 per cent of his salary can be clawed back in tax and lost benefit.

This advertisement appears as a matter of record only



Peter Lilley: took first significant step



David Curry: reels off the figures

Housing associations warn that their properties could turn into ghettoes where only the long-term unemployed could afford to live. Mr Curry is sensitive to the argument: "There comes a point where if rents go up, it's not worth somebody getting up to find a job. We are examining that issue at the moment." Perhaps for that reason. be says be is prepared to see government grants to housing associations rise. "I've always said that I look et it as it comes around each year

For the past three years the grant has fallen. Mr Curry claims that this has hardly affected housing associations, hecause during the recession huilding costs were low. The decline from 79 per cent to 62 per cent in "grant rate" - the government grant per new home - since 1990-91 represents a drop of just 2 per cent in real terms, he says. "We're getting a bigger bang for our buck at the moment.

He also points to the efforts made by associations to raise money cheaply; he cites the recent eurobond issue, based on rent securitisation, brokered by Nomura,

Northern Counties Housing Association Limited

BZW was lead manager to Northern Counties

Housing Association in the issue of £50 million

9 1/8 per cent Guaranteed Secured Stock 2025.

The issue was guaranteed by Financial Security

Northern Counties Housing Association was advised

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by Integer Treasury Services Limited.

and Sanctuary's tapping of the US bond markets arranged by Hambros.

However, Nationwide and other lenders have warned that they might desert social housing if the grant rate falls further. Mr Curry is sceptical. "Each year the lenders have told us that this was the end of life as we know it, and on the whole life is still there as we always knew it." He thinks this is because lenders have nowhere else to go with their money: "Tha housing market this year is still pretty sodden. It's certainly not taken off."

In recent years other big ideas have arrived. Housing associations have put up some of the money to help poor people buy their own homes, through shared-ownership and Diyso (DIY shared-ownership) schemes. The take-up on Diyso in a recent quarter was 106 per cent of the original cash provision made for it. Whereas 16 per cent of government funding to housing associations in 1993-94 was to help people hny houses, next year the figure will be 24 per cent

It is a move on from the "right-to-buy" policy for council tenants in the 1980s. a scheme which Mr Curry says "changed the sociology of Britain more than anything else since the war". Right-to-buy is still vielding tens of thousands of purchases a year. However, a recent report by the Joseph Rowntree Foundation urged the government to shift its funding back to rents, arguing that the stock of rented housing was already too low to allow labour mobility. As ever, Mr Curry says he is flexible on the issue.

Similarly, he is open-minded on the future of the Housing Corporation, tha channel for government grant to the hous-ing associations and also their regulator. Should the regulatory and financial functions continue to be under the same roof?" Mr Curry asks. However, he says "no change" is also an option.

And he is closely watching the National Federation of Housing Associations' corporate governance review. The make-up of housing association management committees is a concern: "I want to make sure they bring in a sensible level of expertise. Of course they will have representatives of the community and that sort of thing."

Depending on what the review suggests, he is thinking of allowing chief executives to sit on management committees. "On occasions when there have been problems, it has usually been because of some lack of communication across that line."

Most radically of all, he is thinking of giving local authorities more scope to manage homes, in joint ventures with private shareholders. For the while, however, he expects housing associations to remain the main providers of social housing. "I haven't got anybody else in my bottom

Simon Kuper

■ CORPORATE GOVERNANCE AND PROBITY

Pay issue will not go away

Mr Clive Barnett, head of housing finance at NatWest Markets, has met quite a few housing association management committees, writes Simon Kuper.

cial decisions.

The NFHA

may also sug-

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ently, many

are retired peo-

ple, who often

"Reverend Whatever-he-is: the two probation officers: the tenant representatives; the local practising accountant: they're unlikely to have had the experience of dealing with

a £50m loan," says Mr Barnett. Once, after he had made a presentation to a committee its members told him he had been too professional. He had rather frightened them. The larger housing associa tions now handle tens of millions of nounds of public money, and have huge debts to

private lenders - but their management committees are changed staffed by volunteers. Some committee members have become alarmed: they are responsible for as much money as the directors of private But there is a professional sit on the man-

aspect to the sector; for example. NatWest has more than £1hn of housing association debt on its books. Medium-tolarge associations pay their finance directors and chief executives salaries which range up to £100,000 a year.

Over the last few years, the word in housing associations has changed from "surplus" to "profit", says Mr Keith Schofield, director of financial services at Mercian housing asso-

ciation. The big worry is the quality of the management committees. Their unpaid members often lack the expertise, the time and the powers to oversee their executives - and protect both taxpayers' and lenders' money. A survey of lenders by solicitors Denton Hall and the month showed that quality of management and governance issues were the main factors that lenders to housing associations consider. The doubts prompted the National Federation of Housing Associations (NFHA) to launch an inquiry into corporate governance.

which reports next month. The NFHA knows that creating impressive management committees will not be enough. The one serious fraud discovered in the sector took place within an association whose committee included a number of City of London high-flyers.

The association in question had, ou paper, one of the best committees of any housing association, says Mr James Tickell, assistant chief executive of the NFHA. Yet a £lm maintenance fraud went undiscovered for more than seven years.

Mr Tickell concludes that there needs to be more checks and balances. Some associado not even have inter nal andit committees. Some sub-committees, regional committees and subsidiaries operate largely outside the control

of the main committee Housing associations tend to work with corporate gover-nance rules written 100 years ago for neighbourhood horrowing clnbs. The NFHA is expected to draw up new codes of conduct.

Improving the personnel of committees is perhaps the bigger issue. When Mrs Margaret Hodge, MP and former leader of Islington council, subse-quently became the leader of the association referred to above, after the frand, she recruited a new management committee from her address

Many committees are still recruited on the "old boys" network - and skills gaps often result. When the English Churches Housing Gronp, a leading association, needed a new chairman, it recruited an external search firm to find one. The price, it felt, was neg-ligible compared to the cost of making the wrong choice. The NFHA's report may recom-mend that all new committee



members be recruited by open advertisement. At the same members. time, the NFHA wants to make associations more accountable to their tenants. The question

be to pay some committee members. This would not only require a change in ethos in housing associations, but also

is how to do this without letting untrained tenant representatives take complex finantheir legal sta-By law, housing associations are not committee

even reimburse lack up-to-date them for lost expertise. And incoma. Most the make-up of associations some commitwould in any tees has hardly case hate to change their volnntary Another way ethic. Yet adding some expertise form of pay would he to mlght help allow chief attract people with profesexecutives to

agement com- Margaret Hodge recruited a new mittees of their committee from her address book

The fear is that chief execu-

make commitassociations. The Housing Corporation still tee members feel more responsible. Mr F. David Porter is forbids this, although some associations get around the rule, and many have the chief both a deputy managing director of Nomura Bank and treasurer of the English Churches executives of other associa-Housing Group. He takes holitions on their committees. days from work in order to Mr Donald Hoodlass, who became chief executive of Cirattend management committee meetings. If, instead, the assocle 33 after the fraud, says: ciation could compensate "The committee of manage ment is ultimately responsible Nomura for his absence, more bankers, accountants and law-

tives on committees might recommend that some large dominate the less-informed The most radical suggestion

the NFHA might make would a change in

members, or

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ence - and

yers might work for housing

and possibly even shareholders. These would want to push up rents. Regulation would have to prevent this. Alternatively, the NFHA may suggest that a wholly new legal entity be created, called "bousing association", whose committee members could be

At present, housing associa tions are either charitable trusts - companies with charitable status - or industrial and provident societies. Some are accountable to three regulators: the Charities Commission, the Registrar of Friendly Societies and the Housing Curporation. The paperwork is sti-Ministers and senior Hous-

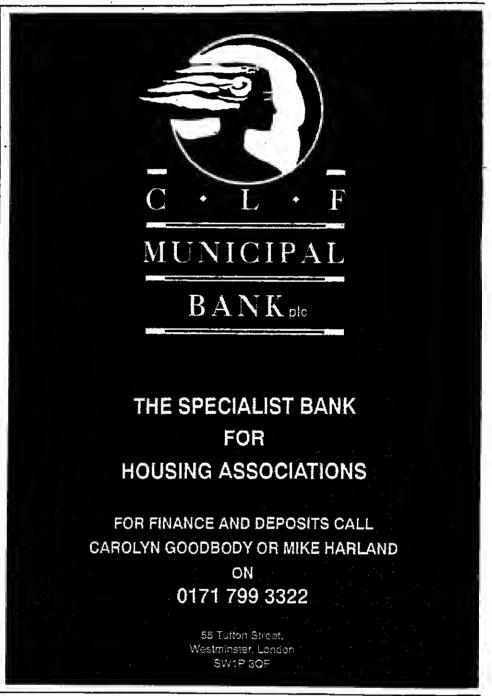
associations become non-profit

businesses with paid directors.

ing Corporation officials have expressed interest in the idea of a new legal entity. However. creating it would require complex legislation, which no government would take on

Furthermore, as long as housing associations go under a variety of legal forms, it is almost impossible for any government to deprive them of their charitable status all at

And the pay issue will not go away. What you want in the end is the most efficient movement," says Mr F. David Porter. But he edmits that many in these multi-million pound charities would consider that a heresy.





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INVESTMENT BANKING, FROM

HOUSING ASSOCIATIONS III

Andrew Taylor reports on construction

Cushion rudely removed

The cushion of housing association work that bolstered builders during the recession has been rudely removed by successive public spending cuts.

English housing associations which at one time had been expecting to spend grants and receipts totalling £1.75bn in 1995-96 have seen this figure pruned by almost £570m.

As a result, house builders which had looked to housing association work to pro-vide valuable revenue during hard times will find construction programmes severely redoced after sevan years of abnost uninterrupted growth.

The National Federation of Housing Associations expects the number of new homes started by builders to almost halve in 1995-96 to 18,000, compared with 35,000

The spending cuts have arrived just as the recovery in the private housing mar-ket appears to have run out of steam. se prices remain static while the traditional post-Christmas uplift in private sector sales has been slower than usual this

Rises in interest rates have undermined the already fragile confidence of potential purchasers who remain concerned about long-term employment prospects and

reluctant to take on large mortgages. Profit margins on private sector sales, however, have improved substantially as expensively acquired land bought in the late 1980s and early 1990s has largely been used up. With margins back to more normal levels - and unlikely to rise further - builders will need to increase the number of homes they sell in a subdued housing market in order to improve profits.

Builders, with private and public sector markets squeezed by spending cuts and higher interest rates, also have to combat increased material costs as suppliers have sought to improve their margins by raising prices. Housing associations will provide little comfort.

Mr Alan Cherry, chairman of Countryside Properties, one of the most successful builders of homes for associations, is aggrieved by the government's response. He claims that "housing has borne a totally disproportionate share of the recent cuts in public sector capital expenditure."

The federation expects completions to slip in the next financial year to 38,000

He says builders who had responded to the government's previous championing of housing associations by increasing their investment in this market "are entitled to feel let down by the government action. ployment in the construction sector and a further dangerous weakening of its capac-

Total receipts from grants and sales of £1.18bn for the English associations for 1995-96 are 26 per cent lower than the

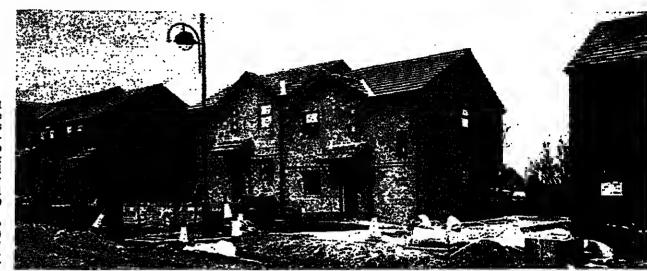
£1.49bn forecast for the current financial year and 48 per cent lower than the figure forecast for 1995-96 three years ago, says the National Federation of Housing Asso ciations. Total receipts are forecast to dip further, to £1.17bn in 1996-97 before rising to £1.19bn in 1997-98. This figure is well short of grant levels available in the early 1990s when the number of homes acquired by English associations trebled from 20.889 to 62,137 between 1989-90 and 1992-93.

The federation expects completions to slip in the next financial year to 38,000 before falling steeply to 26,000 in 1996-97 and 23,000 in 1997-98. More importantly for the construction industry, the share of new homes is forecast to fall from 37,000 in 1994-95 to just 18,500 by 1997-98.

The proportion of homes acquired from private sector builders since 1989 has risen from just over half to about four-fifths making housing associations an important customer for the industry.

Ministers say that some of the shortfall in public sector investment will be made up by increased private sector investment in housing association schemes. This has risen dramatically since the 1998 Housing Act, with the proportion of funds provided by the private sector to associations expected by government to rise to 42 per in 1995-96. This compares with 25 per cent private investment in 1999-90.

Some private investors which have furnished more than £6bn to housing associations since 1989, however, have become alarmed at the dependence of tenants on



housing benefit to pay rents which have risen sharply to generate sufficient returns to attract private sector investments. According to the National Federation of Housing Associations, average weekly rants for new developments between 1989 and 1993 rose from £29.18 to £52.45; an increase of 80 per cent.

The proportion of new tenants eligible for housing benefit since 1989-90 has increased from 67 per cent to 83 per cent. More worrying for the government is that 49 per cent of tenants in employment are now eligible for benefit, compared with 27 per cent five years ago.

investors are concerned that ministers might make further moves to stem housing benefit payments as they seek to con-

tain pohlic spending. UK banks and building societies which have been the largest investors in associatioo projects are unlikely, anyway, to want to continue investing at the same rate.

As a result, associations may have to look for alternative sources of private finance, including attracting overseas investors. This trend, however, will favour the bigger associations with large assets and a proven management.

House builders also might become more involved in financing arrangements as they seek ways to sustain their workload and break into other housing areas. Countryside, for example, has secured more than £150m of development funds for partcership schemes with housing associa-

tions. It has also begun to finance and develop university accommodation. Mr Ian Riches, marketing director of Warings, the Portsmouth-based construction group, says: "We are finding that the opportunity for housing association work has probably more than balved compared with last year. However, with the restructuring of the armed forces, this will be

required by defence works services." Other builders expect to reduce their output to housing associations as spending cuts hite deeper over the next two years The bousebuilding sector looks like remaining subdued unless there is a further recovery in the private housing mar-

more than offset by accommodation work

his is easily the most enjoyable job I've ever had," says Mr Anthony Mayer, chief executive of the Housing Corporation. The Corporation, which channels £1.5bn of government funds to housing associations this year, is one of the UK's biggest-

spending quangos. It polices as well as funds the housing associations. Some believe that the two roles of the corporation should be split, with that of regulation passed to a separate body. Various arguments are put forward, most commonly that the corporation is too dominant. or that it is afraid of revealing problems in the sector for fear

of being blamed itself. The National Federation of Housing Associations believes that in the next five years or so the corporation should lose its regulatory powers. The National Audit Office is keen to take over some of these. With the Department of Environment carrying out its fiveyearly review of the corporation, Mr David Curry, the housing minister, is consider-

Mr Mayer says: "This is a matter for ministers, but in my view, 'If it ain't broke, don't fix it.'" Certainly, the corporation is not short of experience of the housing sec-

Mr Mayer left Oxford in 1967 for the old Ministry of Housing, and spent the next 18 years in the civil service, mostly in the Department of the Environment. In 1985 he left the civil service for a sixyear stint with N M Rothschild, the UK merchant bank, before taking the helm at the Housing Corporation.

Mr Mayer regards the strong infusion of private finance into housing associations in recent years as a success for the corporation. "I remain confused and slightly disappointed that more attention isn't being given to it by the organisers of the Private

Finance Initiative," he says. He quotes the figures: more than £6bn raised in privatesector finance for housing associations, and just £12.5m in bad loans, all of which are to the unregistered subsidiaries that the corporation cannot yet regulate. "That's a

far better record than any other sector in this country." Yet the NFHA, in a submis sion to the DoE's review, has said the sector is becoming so complex that a separate regulator is needed; an Ofhouse, in the jargon of the privatised

The NFHA has three chief complaints. The first is that the corporation is accountable only to the DoE, and not to local authorities, who supply

the land, or to housing associations and tenants. The members of the corporation's board

Simon Kuper examines the roles of the Housing Corporation

Separate regulation urged

are government appointees. Mr Mayer says: "The Housing Corporation is not a doppelganger government departboard, which is not entirely passive in the sense of so many agencies set up by the government." When the government cut its grant last year, for the third time running, Sir Brian Pearse, the corporation's chairman, said the move was "disappointing."

Mr Derek King, the corporation's director of investment, admits: "Ultimately, our job is to get on and deliver whatever the government gives us." The NFHA says the corpora-

tion tends to ignore the griev-Mr Nicholas Raynsford, the Labour party's housing spokesman, says Labour would create regional boards of the corporation so that funding decisions were taken

n regulatioo, the NFHA says that the corporation tends to be intrusive and overprescriptive on minor matters; that it monitors risk and performance too little; is bad at spotting big problems early; and has made little progress on using perforindicators.

Mr Mayer disagrees. The corporation has overhauled its regulatory activities in the

past year, he says. It now makes honsing associations fill in lists of performance indicators. Last mooth, the corporation published the results for the first time.

On the basis of the figures, it carries out a desk-top review of all associations receiving vernment grant. It then visits the associations that seem to have problems, and carries ont other random checks to make sure the information submitted is correct. Associations must now submit plcstyle accounts.

Before April 1994, the corporation used to visit far more associations at random. It hopes that the new system will allow it to target its slim resources better. The NFHA's

third argument is that the corporatioo's two roles are at odds with each other. As funder, it wants to see homes are hnilt - but this might stop it from cracking down, as regulator, on a dubious huilder.

Furthermore, It is supposed to press associations to huild good homes while at the same time telling them to make do with less money.

The NFHA says: "The corporation's combined functions make it too powerful in relation to housing associations." As the grant falls, more and more associations are building without government funding, so the link between funder and regulator disappears.

Mr Mayer dismisses most of these criticisms as theoretical. He argues that since he is accountable for government funds, he has to know which associations are suitable recipients. A separate regulator would be less responsive to failure, since it would lack the corporation's power to adjust

funding in order to induce improved practice.

Ultimately, lenders know the corporation and derive comfort from its presence. This comfort, says Mr Raynsford, is the corporation's main reason for being, The NFHA accepts this, and

recognises the force of many of Mr Mayer's other points. Mr Mayer thinks most probiems would be solved if the rented sector as a whole were higger. "There is an unanswerable case for more GDP going into renting." he says. And more and more people want to rent not bny. Increasingly, they are getting divorced. working on sbort-term contracts, and regarding houses

investment goods. But the revival of the private rented sector is beyond Mr Mayer's remit. For the pext few years at least, the corporation's funds will remain the chief source of new rented housing for the less well-off.

as consumption rather than



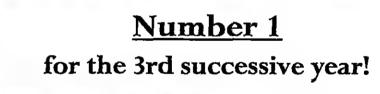
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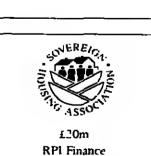
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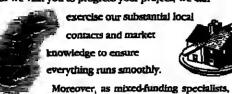
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HOUSING ASSOCIATIONS IV



received a triple-A credit rating. Housing associations, The former Pauls Moss Town Hall at Whitchurch in Shropshire forms part of a 45-unit shellered achieve for despite being not-for-profit, are elderly residents, managed by the North Cheshire Housing Association. Funding of £10.25m was recently The main reason for this is



Mike Blackburn, chief executive of the Helifax Building Society, signile

Simon Kuper reports on private finance

Safe bets for the lenders

even broaden the role of pri-vate finance in social housing. All this has helped persuade securities house - Nomura - and a City of London law Wilde Sapte - that it is worth developing expertise in the sector now. Mr Kandish Chandran, chief executive of the Presentation Association, which specialises in housing ethnic minorities, reports

than £5bn from the pri-

But will they remain so?

Housing Act, which estab-

regime. No registered housing

association has failed, although a few of their subsid-

ised the rental streams of a

group of housing associations last December, the eurobond

that they build and rent

houses. Mr Anthony Mayer, chief executive of the Housing Corporation, says: "They're entirely asset-based, with e

worth that doesn't walk away,

and unlike so many other

things, with a steady income

The largest associations have

realisable asset values of more

than £500m. If they were com-panies, such levels would qual-

Furthermore, associations

often stack up large reserves to

pay for repairs, or simply to

reassure lenders. They only

have to repay their govern-ment grant if they sell the

homes they built with it. This

year, the average grant stands

at 62 per cent of the cost of

each home built, which means

that private lenders only have

to pay 38 per cent of the cost to

get an income from its rents.

Reassuringly, the Labour party says it would continue and

Bentwaters in Suffolk became

e ghost town. The US Air

Force went home, leaving

behind two estates of empty

Detached or semi-detached,

with vast lawns and en-suite

ify them for the FT-SE 100.

considered safe bets.

queues of lenders. Yet most financiers cannot grasp how charities building houses for the poor can turn a profit for their lenders. Many people simply have no idea what a housing association is. The Housing Corporation and the Chartered Institute of

late as 1990, these are not poor

peoples' homes, Today, hun-

dreds of mainly poor Britons

inhabit them. The principle

could be extended to deserted

American and British military

bases around the country.

Banking have joined to provide short courses on lending to the associations. Ignorance long meant that

only a small group of banks and building societies specialised in the sector: NatWest, the Bank of Scotland, Hallfax, Nationwide, Banque Paribas, Hambros and a few others.

It initially made for quite e

small market, yet housing associations were hungry for money: they now account for about 10 per cent of the ster-ling debenture market, with Il over fibn in paper issued, and for more than 25 per cent of the market for debentures with a majurity of more than

When the Americans left,

Leigh Estates, the company

that had leased them the

houses, went into receivership.

Wherry Housing Association, which has developments in

Norfolk and Suffolk, won the.

contract to let 293 homes on

the Tower Field and Wacker

The names were rather US

military in flavour, so Wherry renamed the developments

Watersfield Park and Bentwa-

The association could hardly

believe its buck. "The

Americans spared no money.

These are very high quality

homes," says Wherry Housing

Association's chief executive

Mr Tim Sewell, Wherry's

housing director, says he is

struck by the big spaces in the

of the estates.

Today, "infrastructure"

Today, infrastructure means a tiny post box across

the road from a phone booth, the latter installed after much

The bus now stops every hour, the fish-and-chip van calls on Fridays at 5.30pm, and

the fruit-and-veg van arrives

the base itself, the Americans had all the facilities of a

wealthy Californian town catering for 15,000 servicemen. There was a hospital, a school, a multi-million-dollar gym, a Burger King and a bowling alley. Across the road is an air-

strip.
These are all now closed.

The base belongs to the Min-istry of Defence, which sealed

it off while inviting tenders.

Residents became frustrated. Mr Paul Hudson, chairman of

the residents' association, said:

The main enemy, if you'll forgive the pun, is the MoD."
But last week Bidwells, the East Anglian surveyors,

announced that the Maharishi Foundation had won with a bid

to build a University of Nataral Law on the base. The yogics will allow the residents of the estates onto the prem-

ises. Soon, facilities might

Wherry had to build a com-

munity in a desert. From the

outset it aimed for balance, evi-

dently anxious not to create a

ghetto of the poor. It therefore

took some tenants from local authority waiting lists, and others who applied to Wherry

Tenants referred by local

authorities pay £241 a month for a four-bedroom detached

house while those renting pri-

Nearly 180 of the 293 homes

are now filled. The electoral roll of Rendlesham, the local

town, has 670 names where a few years ago it had 100.

aged 17 and 18, right through

"We have a young couple

privately.

vately pay 2356.

Yet just over the fence, on

on Saturday afternoons.

But

Field sites.

ters Park.

Mr Peter Lewis.

there were no

shops or pubs

-not even a

mile-and-a-half

prodding of BT.

within

etood.

Case study: Wherry Housing Association

Legacy from cold war era

The weight of paper caused a bip at the end of 1998, when the market choked on three new bond issues. NatWest Markets, for example, was left with much of a £125m bond issue on its own books in December

The associations looked abroad for new funds, and found them. Sanctuary Housing Association last year placed a \$75m bond issue with a group of US investors. Hambros, who brokered the deal, also act for various German banks in the UK housing association market.

The Nomura deal, thanks to its triple-A credit rating, drew investors who had never

seventies," says Mr Vincent

Gates, Wherry's local manager.

"We have single-perent fami-lies, families with five chil-

dren, blue-collar workers and

solicitors; disabled people,

mentally handicapped people.

black and Asian people. We even have two Americans."

There are morning teas; a

says Mr Hud-

course there

isn't a school

children live on

the estate. Last summer holi-day, when they had nothing to

do, was a strain. Yet there

have been surprisingly few

social problems. Mr Gates says

only one person has come to him unhappy enough to leave.

Prospective residents were

elaborately interviewed to

make sure they knew what to

expect. People without cars were advised not to come.

place home as fast as they can, although only a couple have got round to changing the light-brown USAF carpets. Ms

Nicola Beckett, the community development worker, says: "It's losing that military blandness.

People are putting shrubs in,

and the garden fences have

The servicemen had gardens

ers, with a firm grasp of the British psyche, paid for fences themselves. Lawns are no lon-

ger quite as short as in the days of the USAF, when long

grass could earn you a charge.

Ms Beckett's salary is partly funded by the European Union,

which gave the local authority nearly £200,000 from its fund for areas hit by the end of the

At its peak, RAF Bentwaters accommodated 13,000 Americans, who boosted the

local economy by millions of

Simon Kuper

pounds a year.

(Hama) scheme.

the cold war.

already gone up."

Residents are making the

About 180

yards from the estate.

The receivers, with a firm

grasp of the British

psyche, paid for fences

themselves

60 per cent of them from outside the UK. The number of investors lending more than flom to the sector has risen from 20 in 1991 to 47 today.

inding new sources of capital was vital, as UK individual and corporate individual and corporate borrowing must pick up soon. Throughout the recession. honsing associations were among the few borrowers in the markets. Interest rates, land and construction costs were low. That is already

Yet the Nomura deal. because of its rating, made borrowing cheaper. The housing associations in the scheme issued 50-year eurobonds at just 75 basis points over glits meturing in 2017. Funding costs were thus nearly 1 per cent lower than those obtained by associations in other recent.

"It saved us about £3.60 per property per week," says Mr Keith Schoffeld, director of financial services at Mercian, one of the participating associ-

"Historically, margins have been too high for what is secure lending," says Mr Charles Arbuthmot, a director of Hambros. In future, says Mr Gordon

Kerr, who set up the scheme for Numura, "it will be hard for Forty per cent of the population is unemployed, but the finance directors of housing estates are far from monochrome images of deprevation. associations to justify borrowing on any other basis than securitisation, because the cost youth club and mother-andsavings are so great.

toddler groups. The residents have persuaded the MoD's land Securitising the rents, which agent to let them use the had never been done in the UK Americans' Child Development before, was the key to the tri-Centre, on the base but just ple-A rating: the strength of the housing association sector All of this should help make is its cash-flow from rents. up for the lack of a pub or village store or playing field. Already, another bank is planning to follow Nomura's lead. Previously, investors had lent against associations' balancesheets, and had to worry about son, "but of the competence of manage-

ment committees. It took Nomura two years to set up the deal. "The rating agencies had to come up a pretty steep learning curve, says Mr Kerr. But when they came up it, they created a detailed credit analysis of housing association finance. That could make it cheaper for associations to borrow in future. ·

Lenders have new worries however. The government grant to the sector keeps falling while the housing benefit bill rises, partly to pay for ris-

begun to cap housing benefit. if it goes further, lenders are ening to pull out of the sector. Last year, the Council of Mortgage Lenders requested that Housing Association Grant rate (HAG) the percentage of a new home that the government finances - should stay above 60 per cent. Mr David Curry, housing and local government minister, cut it to 58 per cent. The trend has been downward, and lenders are watching closely.

As the grant falls, housing associations are building fewer homes. Interest rates have plummeted over the past year as more institutions compete to lend to fewer associations. However, some associations. may be determined to keep building, particularly as the number of homeless people POWS.

reserves to build. Alternatively, because associations have to bid against each other for government grants, they may try to build too cheapty. Recently, housing associations have bid for about five times as much money as the Housing Corporation has to give, at they often ask for a funding percentage lower than HAG. Some may be embarking on high-risk projects.

institutions are still happy to lend to housing associations but if the HAG rate falls even further, or a large association collapses, a private capital flight could ensue.



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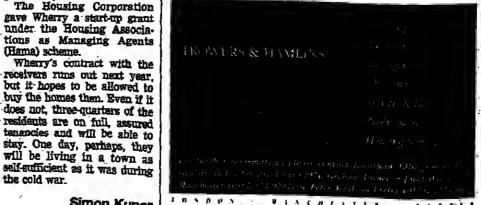
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Brussels upbeat on results of farm policy reforms

By Caroline Southey in

The EU reduced stocks of beef and arable crops, under-spent its budget and saw farm incomes increase in real terms last year, Mr Franz Fischler, the new EU farm commissioner, said yesterday.

Mr Fischler gave his upbeat assessment of the first twoyears of farm policy reform negotiated under Mr Ray Mac-Sharry in 1992 as he amounced commission propos-als on farm prices for 1995-96, the final period for the simple the final period for the imple He said he was proposing "a

mentation of the changes. light non-controversial price package" because he wanted EU agricultural ministers to concentrate on proposals to reform sectors untouched by decline and yields increased

the MacSharry reforms, such

Reviewing the year he said reductions in price support and sasures to control production had had a "positive impact on prices and markets". Real prices had caught up or stabilised after the large drops in

Public cereal stocks stood at 30m tonnes in July 1994 and had fallen to less than 9m tonnes in January 1995. Last year's harvest stood at 162m tonnes, Im down on 1993 and 19m tonnes less than 1991. A drop in production and high exports led to beef and yeal stocks falling to 40,000 tonnes in January 1995, from a high of 1.17m tonnes in 1992. Milk production fell further

Mr Fischler sat a budget guidaline for 1995 of Ecu37.94bn, an increase of Ecu 1.48bn on 1994. Ecu950m is due to Sweden, Finland and Austria joining the EU in January. A Commission official said the last budget had been underspent by almost Ecu3hn. The 1995 budget figure was

Ecul.05bn less than allowed under the EU guidelines. Farm incomes rose by 5.7 per cent in real terms in 1994. Mr Fischler announced two prices change, which observers said were intended to discourage producers from using intervention as a market mechanism. The butter intervention price is to be cut by 2 per cent and the automatic monthly increase in the cereal interven tion price by 10 per cent.

Meat industry plans safety-net

Iders

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gang Nasa pagan

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Britain's meat industry leaders have stared into the abyss and decided to start work on a safety-net.

Live animal exports have been badly damaged and prices depressed by the transport ban introduced last year by passenger ferry companies and the subsequent wave of protests by welfare campaigners against farmers seeking altarnative

routes to the Continent. Yesterday, tha Meat and Livestock Commission admitted the demonstrators had won part of the battle. Live exports, it said, were unlikely again to reach the peak levels of 1993. Instead, the industry must develop new markets for British meat slaughtered at home.

"We're not assuming there will be a total cessation of trade," said Mr Colin Maclean, the commission's director general, "It's terribly important we reach agreement in Europe that will allow live exports to

However, the commission has drawn up plans for every eventuality, including a ban on

Britain exported 500,000 calves worth £95m in 1993 -the last year for which trade statistics are available. Most were bull calves from the dairy herd destined for yeal production in France and the Netherlands. About 1.9m sheep were exported in 1993, mainly to France, bringing in export earnings of £90m.

In its report, Future Options, published yesterday, the commission assumes calf exports will fall by half as a regult of the animal rights campaign and that sheep exports will drop by 70 per cent.

The commission says the extra calves on the UK market could be slaughtered very young for processed meat although consumers might react adversely - or be reared for veal or beef. "The higher supplies available would, in a normal market situation, result in a price reduction of about 10 per cent.

It proposes research to improve the efficiency of the UK's more welfare-friendly veal production and to enhance the quality of the

Precious Metals continued

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GOLD COMEX (100 Troy oz.; \$/troy ot.)

meat, as well as increased export promotion for British

veal and beef. It admits, however, that it will ha difficult to overcome widespread resistance to eating veal in the UK and that the refusal of many non-EU countries to accept British beef because of fears about "mad cow disease" reduces tha

options for exporters. The question of sheep meat easier to resolve because of the access we already have to markets on the Continent," said Mr Bob Bansback, industry development director.

A 70 per cent drop in live exports would mean a 24,000tonne increase in domestic production of sheepmeat and a 4 per cent drop in producer returns. To combat a fall in prices, the commission plans to increase export promotion spending by £200,000 next year, seek marketing grants from the UK government and press for an EU-funded lamb promotion programma Future Options. MLC, PO Box

44, Winterhill House, Snowdon Drive, Milton Keynes MK6 1AX.

Foreign prospectors beat a path to Ecuador An improved investment climate has rekindled interest, writes Raymond Colitt

rmed with the implements of their trade, mineral prospectors are surveying Ecuador's countryside in what seems to be an unprecedanted mining

Following decades of neglect Ecuador's mining industry now has real prospects for large-scale commercial production. A generally improved a comparatively stable econ-omy, and a new mining law have sparked interest among foreign investors. At least a dozen foreign companies have coma in search of untapped gold, silver and copper. They will invest soma \$32m in 1994-95 to explore concessions

totalling 270,000 hectares. Soma are dusting off old maps and exploring sites rediscovered by artisan miners in recent years. Others are sur-veying new areas and have identified mineral deposits of potential commercial value. At least five companies have completed their sampling and geochemical work and have moved on to the drilling stage. Studies by Codigem, Ecua-

dor's public mining corpora-tion, and by a team of Belgian engineers, suggest recent discoveries are not flashes in the pan, but that Ecuador indeed boasts large deposits of gold, silver, lead, zinc and copper. Other studies point specifically to large gold deposits in the southern part of the Cordillera

Especially promising, says an official government document, are the southern provinces of Azuay, Zamora, and El Oro, with several confirmed gold deposits. These provinces border northern Peru, where large mines are already being operated in a geological struc-ture similar to that on Ecuador's side of the border.

The generally arid conditions of southern Ecuador are excellent for basic topographical work, according to geologists.
The ancient gold mine Portovelo in the province of Nam-bija, which has polymetallic gold-bearing veins 15km long and 4km wida, is being exploited by the state. Centuries ago the Spaniards extracted gold there and an estimated 121 tonnes of gold and 262 tonnes of silver had been taken by 1985. With big name companies such as TVX Gold (Canada) and Gold Fields (South Africa) exploring, the necessary capital to finance the development of previously identified deposits is now avail-able. Besides lending credibility to the country's mining potential, their commitment reflects confidence in the improved operating conditions

within its mining sector.

TVX Gold, in a joint venture with the military's industrial branch, Dine, has earmarked \$7.5m as risk capital during the 1994-95 period. Unofficial reports say TVX has discov-ered a gold deposit estimated at 93 tonnes and may begin production in 1995.

The junior company, Ecuadorian Minerals Corporation (Canada), with a total of \$3m in risk capital, claims to be have some of the most promising sites. Following a 33,000ft drilling programme in its Gsby property, part of the Muyuyacu concession, the company says the site may have in excess of 50m tonnes of ore averaging between 1 and 1.5 grammes a ond phase drilling programme, which will form part of a prefeasibility study to be completed this year.

n Tres Chorreras EMC has taken 319 samples that returned grades between 0.125 and 0.214 troy ounces a tonne. At Cerro Pelado, which indicates potential for multi-million ounce gold deposits, EMC has rights to an extensive area of small mining activity. It is Ecuador's largest known alluvial gold deposit.
Other companies that have

gained a foothold in Ecuador are Newmont Overseas Exploration and Odin Mining International, who have formed a joint venture to explore the El Origen de Biron concession.

Tha initial investment will

be US\$1.3m. The french com-pany Cogema is looking for gold deposits in its San Fernando property. Suspecting a low-grade, high-volume deposit, Cogems is plunging \$2.2m into an extensive drilling programme.

Keen on participating in the mining boom of its neighbour

ing countries, Ecuador is try-ing to ottract the attention of foreign investors with financial perks. Besides boasting one of the lowest income tax rates in the region (25 per cent), the country provides a host of tax and tariff exemptions specific

to the mining sector. The latest newcomers following up oo such incentives are Golden Star Resources (Canada). Homestake International Minerals (US) and Canada's Echo Bay, Leonardo Elizalde, legal representative of Echo Bay in Ecuador, says the com-pany is talking to junior companies and is prepared to invest large sums to begin pro-

According to some estimates Ecuador's annual mineral production could reach \$650m, or half of total crude oil sales, in coming years.

| Aluminium | -19,250 | to 1,485,80 |
|----------------|---------|-------------|
| Aluminum alloy | -120 | to 30,520 |
| | | |
| Copper | -6.450 | to 205,075 |
| Leed | -1,975 | to 324,025 |
| Nickel | -732 | to 136,098 |
| Zinc | -2,950 | to 1,134,90 |
| Tin | -235 | to 26,025 |

Brent trading heads east

By Robert Corzine

An egreement was signed yesterday to extend the trading of the benchmark Brent crude oil futures contract to Asia. The deal between London's International Petroleum Exchange and the Singapore International Monetery Exchange paves the way for trading of the Brent contract in Asia from June 9 via a mutual offset system between the two exchanges, It was signed by Ms Elizabeth Sam, Simex chairman, and Mr Philip Lynch, IPE chairman.

The arrangement will allow traders to open or close posttions in either market during in 18-hour period.

Singapore is one of the world's busiest physical oil markets, based in part on the country's status as the third largest international refining

Both IPE and Simex executives believe the availability of the Brent contract should attract some physical traders

into the paper market.

Mr Peter Wildblood, IPE chief executive, said the introduction of the Brent contract should help Asian traders in their physical pricing. An increasing amount of oil sold in the region is composed of crudes from the Middle East and West Africa, the price of which is based on differentials with Brent.

Executives from both exchanges believe the availability of the Brent contract in Singapore will help price formation, as it will relieve any "pent-up demand" from traders who currently have to await the opening of the IPE.



JOTTER PAD

COMMODITIES PRICES

BASE METALS

| LONDON ME Prices from Amelgar | nuted Metal To | edina) |
|------------------------------------|----------------------|---------------------------|
| M ALLIMINIUM, 99. | PURITY (\$ pe | r tonne) |
| | Court | 3 mths |
| Closo | 1843-4 1893.5-4.5 | 1885-6 1934-5 |
| Previous High/low | 1000.3-4.3 | 1898/1837 |
| AM Official Karb close | 1813-4 | 1854.5-5.5 1891-2 |
| Open int. | 237,546 | 100 |
| Total daily turnover | 96,059 | |
| M ALUMINIUM ALL | OY (\$ per tonne | <u> </u> |
| Close | 1810-20 | 1655-65 |
| Province | 1850-60 | 1895-8 1860/1815 |
| ligh/low M Official | 1780-800 | 1820-40 |
| Certo close | | 1850-55 |
| Open Int. Total daily tumover | 2,790 733 | |
| LEAD (\$ per tonne | | |
| iose | 536-7 | 556-7 |
| Acas Previous | 555-6 | 574-5 |
| ligh/low | 605 | 585/521 |
| M Official | 504-5 | 524-5 585-8 |
| ierb close Open int. | 38,342 | |
| 'cial daily turnover | 11,956 | |
| NICKEL (\$ per tor | | |
| lose | 8275-85 | 6420-30 |
| Trevious Not form | 8365-65 | 8505-10 8460/7875 |
| #gh/low NAI Official | B040-45 | 8200-05 |
| Certo cione | ha 654 | 8450-70 |
| Open int. Total delily fusnover | 61,291 24,424 | |
| TIN (5 per tonne) | | |
| lose | 5260-70 | 5355-60 |
| revious | 5480-B0 | 5575-80 |
| ligh/low | 5170 | 5440/5250 5265-70 |
| M Official | 5165-70 | 5380-400 |
| iarb close Ipan int. | 21,450 | |
| atel daily lumover | 6,224 | ******* |
| ZINC, special Ng | | torne) |
| lose · | 988.5-7.5 1012-3 | 1012-3 1037-8 |
| havious ligh/low | | 1029/974 |
| M Official | 948.5-9.5 | 974-5 1029-30 |
| Cerb closs | 105,481 | 1000.00 |
| open int. iotsi daily turnover | 39,649 | |
| COPPER, grade / | (\$ per tonne) | |
| lose | 2004-9 | 2883-4 |
| Travious. | 2904-5 2885/2862 | 2667-3 2691/2830 |
| iligh/low M. Official | 2862-3 | 2842-3 |
| Cerb close | | 2665-87 |
| open int. | 238,831 70,723 | |
| otal daily furnover | C/S retec 1.55 | 30 |
| LME Closing 5/3 | rate: 1.5675 | |
| patr1.5573 3 mitrac1.55 | | 0 milht:1.5505 |
| HIGH GRADE CO | PPER (COMEX | 1 |
| Day's | | Open |
| Class theng | | int Val |
| a 135.10 -0.5 | 137.50 135.10 | 1,599 299 22,882 6,292 |
| 134,20 1.4 | 136.65 132.50 | 1,060 161 |
| pr 132,20 1.55 hr 130,30 1.45 | 131.70 128.60 | 10,683 1,899 |
| 100 70 18 | 120.60 127.50 | 830 an |
| 126,90 1.45 | 125.20 125.20 | 4,165 160 80,171 9,446 |
| stal | | -4-11 |
| | | |
| RECIOUS | METALS | |
| | W MARKET | |
| rices supplied by f | |) |
| | price £ eq | ulv SFr aquilv |
| | | |

Silver Por Sport S Treaths Treaths Typer Gold Colina Krugerand Maple Leaf

PALLADIUM NYMEX (100 Troy oz.; \$/troy cz.) NERGY CRUDE OIL NYMEX (42,000 US galls, \$/barrel) CRUDE OIL IPE (\$/bi Set Day's price change High Low 144.75 +0.76 145.00 149.75 146.00 +0.70 146.25 144.75 146.00 +0.50 146.00 145.25

1,395 1,400 1,448 1,505 1,555 1,555 1.981 22,727 18,354 1.970 18,894 10,871 1.425 12,334 2,519 1.481 11,957 2,588 1.535 11,554 1,655 1,565 10,209 899 \$ price 375.70-376.10 375.80-376.20 576.00 376.00 376.20-375.90 Opening 375.80-376.20
Meming fix 376.00
Meming fix 376.00
Meming fix 376.00
Dey's High 376.20-376.50
Dey's Low 375.60-375.90
Previous close 374.40-374.60 241,910 483,686 242,019 482,258 Loce Ldn Meen Gold Lending 1 month 4.85 6 m 2 months 4.96 12 r Open Int 17,831 18,684 15,103 6,330 2,533 9,953 5,840 3,543 497 122 20 US cts equiv 474,45 480,90 488,50 608,45 p/roy 02. 805.10 309.60 314.95 327.60 \$ price 378-379 388.65-389.30

GRAINS AND OIL SEEDS 369/4 29,535 361/2 15,966 336/4 21,607 36//0 1,619 351/4 1,125 256/0 18 MAZE CST (5,000 bu min; cents/56% bushe) 473 58,655 15,443 477.5 25,158 3,867 484.0 11,445 2,089 - 10,889 5 +2/6 559/0 555/0 45,801 13,085 +2/4 568/4 565/0 34,282 5,762 +2/4 573/4 572/0 31,343 3,882 +2/2 577/6 575/4 4,034 235 +2/2 576/4 575/4 2,585 501 +2/4 557/4 584/4 18,374 1,845 138,376 28,019 Oct 23.42 +0.12 25.50 25.25 5.309
Tital 102,999 1

SOYABEAN MEAL CET (100 tone; \$/kori) - 154.3 153.6 29.617 4,363 +0.1 160.0 157.5 25.228 3,190 +0.1 162.4 161.8 19.644 1,924 +0.1 164.4 164.0 0,691 190 +0.1 166.3 169.9 4,263 220 +0.2 168.2 167.7 8,958 327 102,966 10,612 POTATOES LCE (E/tonne) 47,20 34,113 21,844
47,45 22,190 5,349
47,45 22,190 5,349
47,75 9,308 1,795
47,95 9,135 793
48,55 4,141 31
116,079 34,421 Har Apr Jan Jan Total 46.20 145.20 146.20 145.20 9,086 146.25 146.00 9,086 2,772 - 2,772 - 1,581 80,747 8,019

Minor Metals
European free market, from Metal Bulletin, 8
per ib in werehouse, unless otherwise stated
fest week's in brackats, where changed, Antistrony; 98,9%, § per torne, 5,000-5,200 (e,9005,050), Blamustic min, 99,99%, torne loss 3,453,70 (3,50-3,75), Cadeplases: min, 99,5%,
105-165 cortes a pound, Cobalit; MB free marlest, 99,8%, 28,65-90,70 (29,75-90,60); 99,3%,
27,80-28,50 (27,50-28,20). Marcusty: min,
99,5%, 28,65-90,70 (29,75-90,60); 99,3%,
Nobybelestuate drummed molybobic,
16,50-16,00 (19,00-16,50), Salenbasse: min,
99,5%, 3,45-4,50. Tungsten ore: standard min,
55%, 5 per forms unit (10kg) WO, ctf, 50-85.
Vessedium: min, 99%, ctf, 4,70-4,90 (4,254,50). Uranham: Nuesco exchange value, 7,25

1370 2,750 5,879 1395 35,287 5,590 1418 11,964 1,915 1434 4,459 689 1450 4,978 60 1480 8,556 5 2648 8,929 1,450 2770 11,494 1,799 2728 4,113 472 2715 3,704 326 2718 963 225 2705 129 9 M COFFEE 'C' CSCE (37,500lbs; cents/lbs) 184.50 +2.30 196.70 182.30 10,211 3,118 189.55 +2.30 196.60 184.25 12,638 2,377 187.80 +1.90 189.00 185.80 5,864 482 188.40 +2.30 199.75 196.55 3,707 505 168.00 +2.20 170.00 186.25 3,369 48 187.25 +2.45 0 8 375 -150.35 147.61 15 day everage _______ 147.29 147.81 ■ No7 PREMIUM RAW SUGAR LCE (center/los) 14.27 +0.20 14.27 14.27 14.40 - - -13.40 - - -13.53 - - -925 110 990 • 2,300 • ■ SUGAR "11" CSCE (112,000lbs; cents/lbs) Har Hay Jel Det Des Har Total 94.90 +1.91 94.99 92.55 13,453 4.109 92.90 +1.27 93.50 91.90 20,100 4,953 99.90 40,77 90.5 99.30 13,944 1,973 80.10 +0.48 74.65 74.40 16,731 894 78.83 +0.43 75.80 75.40 1,951 85 75.40 1, IN ORANGE JUICE NYCE (15,000lbs; cents/lbs) 108.95 - 104.40 103.50 11,297 10,942 108.15 - 108.25 107.50 6.301 486 111.95 +0.35 112.25 111.50 1,534 103 115.75 +0.25 115.75 115.25 2,625 80 114.86 +0.35 114.80 114.50 2,031 25 115.95 +0.35 115.95 115.90 1,049 50 25,005 12,286

INDICES Feb 14 Feb 13 month ago 2247.4 2267.7 2243.7 CFS Putures (Bets: 1967-100) Feb 13 Feb 10 month ago 233.38 283.83 222.96

| Apr 38.47 Jun 44.25 Amy 43.26 Oct 40.55 Bec 41.57 Tobal III POROK BIB III POROK BIB War 41.70 May 42.50 Jul 40.35 Aug 40.35 Feb 51.25 | 0 -0.200 0 -0.500 5 -0.375 5 -0.200 0 -0.150 5 -0.125 9 CME 0 +0.150 0 +0.150 0 +0.150 0 +0.150 1 +0.150 | 75,825 74,900 67,960 64,925 66,620 40,000 38,600 38,650 44,425 43,400 41,575 ME (40, | 74.125 67.325 64.475 65.300 66.300 be; cent 38.125 38.200 44.025 42.157 40.550 41.350 | 45,111 16,578 6,193 1,236 917 61,411 1,859 13,539 7,990 1,611 2,518 2,237 30,071 cents/lt | 178 |
|--|---|--|--|---|--|
| Apr 74.15 Jun 67.27 Jun 67.27 Ang 84.47 Oot 85.30 Doc 66.32 Total MI LIVE HOG Feb 39.35 Apr 38.47 Ang 43.32 Oct 40.55 Bec 41.57 Total MI PORK BE Feb 41.95 Star 42.72 Ang 42.35 July 42.50 | 0 -0.500 5 -0.375 5 -0.150 0 -0.150 5 -0.123 9 CME 0 +0.150 5 +0.100 0 +0.125 5 +0.1025 5 +0.025 1 LIES C | 74,900 67,960 64,925 65,625 66,600 40,0000 39,600 39,600 44,425 40,700 41,575 ME (40, | 74.125 67.325 64.475 65.300 66.300 58; Cent 38.125 38.125 44.025 41.350 0008be; | 45,111 16,578 6,193 1,236 917 61,411 1,859 13,539 7,990 1,611 2,518 2,237 30,071 cents/lt | 4,785 1,148 429 18 56 8,405 638 3,406 660 166 137 63 6,098 |
| Jun 87.57 Avgi 84.47 Oct 85.30 Dec 66.32 Trotal M LIVE HOG Apr 38.47 Jun 44.25 Dec 41.57 Tobal M PORK BE Feb 41.95 Star 42.72 Aug 42.95 July 42.95 July 42.95 Feb 51.25 Feb 51.2 | 5 -0.375 5 -0.200 0 -0.150 5 -0.125 9 CME 0 0 +0.150 0 +0.150 5 +0.100 5 +0.125 5 +0.025 1 LIES C | 67,960 64,925 65,625 66,800 40,0000 38,650 44,450 41,575 ME (40, | 67.325 64.475 65.300 66.300 56.300 56.300 56.300 56.300 44.025 42.157 40.556 41.350 56.300 56 | 18,578 6,193 1,236 917 81,411 ts/lbs) 1,858 13,539 7,090 1,811 2,518 2,237 30,071 cents/lk | 1,148 429 18 56 8,405 638 3,406 660 186 137 63 6,096 |
| Augi 64.476 Out 85.30 Boc 65.32 Total BI LIVE HOG Feb 39.35 Aug 43.32 Oct 40.65 Buc 41.57 Total BI PORK BEI Feb 41.70 July 42.30 July 42.32 Aug 43.32 Feb 51.25 Feb 51.25 Feb 51.25 Feb 55.30 | 5 -0.200 0 -0.150 5 -0.123 9 CME 0 +0.150 5 +0.100 5 +0.125 0 +0.125 5 +0.025 | 64,925 66,600 40,0000 39,800 38,650 44,425 43,400 40,700 41,575 ME (40, | 64.475 65.300 66.300 58.125 38.200 44.025 43.150 40.550 41.350 | 6,193 1,236 917 81,411 1,859 1,859 7,990 1,811 2,518 2,237 30,071 6ents/li | 429 18 56 8,405 638 3,406 660 136 636 6,096 56) |
| Oet 65.30 Doc 66.32 Total Ill LIVE HOG Peb 39.35 Apr 38.47 Any 43.32 Oct 40.55 Bec 41.57 Total III PORK BE Peb 41.95 Star 41.70 July 42.90 July 42.90 July 42.90 July 42.95 Peb 51.25 Peb 51.25 | 9 CME 0 +0.150 5 +0.125 9 CME 0 +0.150 5 +0.100 0 +0.125 5 +0.125 5 +0.025 1 LEES C 0 +0.350 0 +0.450 | 65,625 66,800 40,0000 38,600 44,425 43,400 40,700 41,575 ME (40, | 65.300 66.300 be; cent 39.125 38.200 44.025 42.150 40.550 41.350 0000be; | 1,236 917 81,411 1,859 1,859 7,991 2,518 2,237 30,071 cents/k | 18 56 8,405 638 3,406 660 186 137 63 6,096 |
| Dec 66.32 Total II LIVE HOG II LIVE HOG II LIVE HOG II LIVE HOG III LIVE HOG III LIVE HOG III PORK BE Feb 41.57 Total III PORK BE Feb 41.95 July 40.35 July 40.35 July 40.35 Feb 51.25 Feb 51.25 | S CME (0 +0.150 (0 +0.150 (0 +0.150 (0 +0.100 (0 +0.100 (0 +0.125 | 40,000F 39,800 38,650 44,425 43,400 41,575 ME (40, | 66.300 56; Cent 39.125 38.200 44.025 42.157 40.550 41.350 0008be; | 917 81,411 1,859 13,539 7,990 1,811 2,513 2,237 30,071 cents/lt | 568 8,405 638 3,406 660 137 63 6,096 56) |
| Total III LIVE HOG III LIVE HOG III LIVE HOG III SUBJECT III SUBJECT III PORK BE III PORK | S CME 0 +0.150 5 +0.100 0 +0.125 5 +0.125 5 +0.025 11ES C 0 -0.350 0 -0.450 | 40,0000 38,600 38,650 44,425 43,400 40,700 41,575 ME (40, | 38.200 44.025 42.157 40.550 41.350 0008be; | 81,411 1,859 1,859 7,990 1,811 2,518 2,237 30,071 cents/ft | 8,405 3,406 660 187 63 6,096 06) |
| ILIVE HOG Rob 39.35 Apr 38.47 Jun 44.25 Amy 43.22 Gct 40.65 Bec 41.57 Tobal Ili PORK BES Feb 41.95 Star 41.70 Mary 42.50 Jul 42.72 Aug 40.35 | 0 +0.150 5 +0.100 0 +0.100 5 +0.725 0 +0.125 5 +0.025 11 FES C | 39,800 38,650 44,425 43,400 40,700 41,575 ME (40, | 39.125 38.200 44.025 42.150 40.556 41.350 000lbs; | 1,859 13,539 7,090 1,811 2,518 2,237 30,071 cents/lt | 638 3,406 660 166 137 63 6,096 06) |
| Pob 39.35 Apr 38.47 Jun 44.25 Amy 43.32 Gct 40.65 Bec 41.57 Tobal III POROK BEI Pob 41.95 Mary 42.70 Jul 40.35 Aug 40.35 Pob 51.25 | 0 +0.150 5 +0.100 0 +0.100 5 +0.725 0 +0.125 5 +0.025 11 FES C | 39,800 38,650 44,425 43,400 40,700 41,575 ME (40, | 39.125 38.200 44.025 42.150 40.556 41.350 000lbs; | 1,859 13,539 7,090 1,811 2,518 2,237 30,071 cents/lt | 3,406 660 186 137 63 6,096 55) |
| Apr 38.47 Jun 44.25 Amy 43.23 Gct 40.65 Bec 41.57 Tobal III POROK BEI Feb 41.95 Star 41.70 Star 42.72 Aug 40.35 Pob 51.25 | 5 +0.100 5 +0.100 5 +0.125 0 +0.125 5 +0.025 11ES C | 38,650 44,425 43,400 40,700 41,575 ME (40, 42,375 42,350 | 38.200 44.025 42.150 40.550 41.350 0008be; | 13,539 7,090 1,611 2,518 2,237 30,071 cents/ft | 3,406 660 186 137 63 6,096 55) |
| Jun 44.26 Any 43.32 Oct 40.65 Bee 41.57 Tobil III POROK BEI Feb 41.95 Star 41.70 Jul 42.72 Aug 40.35 Feb 51.25 | 0 +0.100 5 +0.125 0 +0.125 5 +0.025 11/ES C 0 -0.350 0 -0.450 | 44,425 43,400 40,700 41,575 ME (40, 42,375 42,350 | 44.025 42.150 40.556 41.350 0000be; | 7,090 1,811 2,518 2,237 30,071 cents/ft | 660 166 137 63 6,096 06) |
| Ang 43.32 Oct 40.65 Dec 41.57 Total III PORK BEI Feb 41.95 Mary 42.50 Jul 42.72 Aug 40.35 Feb 51.25 | 5 +0.125 0 +0.125 5 +0.025 11ES C 0 -0.350 0 -0.450 | 43,400 40,700 41,575 ME (40, 42,375 42,350 | 43.150 40.556 41.350 0000be; 41.500 | 1,811 2,518 2,237 30,071 cents/lt | 186 137 63 6,098 08) |
| Oct 40,65 Bee 41,57 Total III PORK BEI Feb 41,95 Star 41,70 May 42,50 Jul 42,50 Jul 42,50 Jul 42,50 Feb 51,25 | 0 +0.125 5 +0.025 LLIES C 0 -0.350 0 -0.450 | 40,700 41.575 ME (40, 42,375 42,350 | 40.556 41.350 0008be; 41.500 | 2,518 2,237 30,071 cents/lt | 137 63 6,096 06) |
| Bec 41.57 Total III PORK BEI Feb 41.95 Star 41.70 May 42.50 July 42.50 July 40.35 Feb 51.25 | 11ES C 0 -0.350 0 -0.450 | 41.575 ME (40, 42.375 42.350 | 41.350 0008be; 41.500 | 2,237 30,071 cents/lt | 63 6,098 (5) |
| Total III PORK BEI Feb 41,95 War 41,70 War 42,50 Jai 42,72 Aug 40,35 Feb 51,25 | -0.350 0 -0.450 | ME (40, 42,375 42,350 | 000lbe; 41.500 | 30,071 cents/lt | 6,098 (ac) |
| ■ PORK BEI Feb 41,95 ther 41,70 they 42,50 Jul 42,72 Aug 40,35 Feb 51,25 | D -0.350 D -0.450 | 42,375 42,350 | 41.500 | cents/it | 178 |
| Feb 41,95 Mar 41,70 May 42,50 Joi 42,72 Aug 40,35 Feb 51,25 | D -0.350 D -0.450 | 42,375 42,350 | 41.500 | 899 | 178 |
| tlar 41.70 tlay 42.50 Jul 42.72 Aug 40.35 Peb 51.25 | 0.450 | 42,350 | | | |
| tlay 42.50 Joi 42.72 Aug 40.35 Feb 51.25 | | | 41.500 | | |
| Jul 42.72 Aug 40.35 Pob 51.25 | A _0 375 | | | 3,552 | 1,192 |
| Aug 40.35 Feb 51.25 | | | 42.325 | 3,232 | 584 |
| Feb 51.25 | 5 -0.425 | | | 1,428 | 155 |
| | | 40.750 | 40,300 | 396 | 30 |
| Total | 0 - | | - | 80 | 6 |
| June | | | | 9,570 | 2,145 |
| | | | | | |
| LONDO | NTF | ADE | DO | PTIC | NS |
| Strike price | \$ torne | t | :alfa | PI | sts |
| - ALUMINEU | M | _ | | | |
| (89.7%) LIME 1800 | | Apr 132 | | Apr 51 | Jul 82 |

COFFEE LCE COCOA LCE

Dubei Brent Stend (dated Brent Stend (Apr) W.T.L (1pm est) \$16,33-6,39z \$16,95-7,00

| Premium Genotive Gen Oil Heavy Fuel Oil Naphthe Jet fuel Diesel Petrolises Argus. Tel London III OTHER | \$171-173 \$147-148 \$103-104 \$168-189 \$165-166 \$151-152 \$771 359 \$792 | -1 +0.5 +1 |
|--|---|----------------------------|
| Gold (per troy cz)\$ Silver ger troy cz)\$ Pistinium (per troy cz.) Patindium (per troy cz.) | \$375.90 475.50c \$413.75 \$197.00 | +1.30 +4.00 +0.75 |
| Copper (US prod.) Lead (US prod.) Tin (Kuste Lumpur) Tin (New York) | 140.0c 41.75c 13.90m 249.50c | -1.8 +0.07 -7.00 |
| Cattle (live weight)† Sheep (live weight)† Pigs (live weight) | 121.29p 119.44p 84.08p | +0.41° -0.68° -3.24° |
| Lon, day sugar (raw) Lon, day sugar (wte) Tate & Lyle export | \$349.6 \$400.0 \$340.0 | +0.6 +1.5 +2.0 |
| Barley (Eng. teed) Meize (US No3 Yellow) Wheat (US Dark North) | £110.0 £141.0 £165.0 | |
| Rubber (Mar) ♥ Rubber (Apr) ♥ Rubber (KL, RSS No1) | 116.0p 118.0p 481.0m \$645.0v | -1.5 -1.5 -1.0 |
| Cocoour Oli (Philis | 58645 (N/ | -25 |

Coconya Oil (Philis Palm Oil (Maloy)5 Copra (Philis Soyabeans (US) Cotton Outook'A' Index Woollage (64s Super) \$645.0y \$662.5t \$414.0y \$168.0q \$9.656 512p **CROSSWORD**

No.8,687 Set by PHSSTHPOK

6 Not stylish to have a party beat (5) 7 Country home has distinction

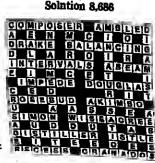
1 Retain e single weapon to ful-fil promises (4,4,4) 10 Teod to run true although twisted (7) 8 Surprisingly claiming all yet 11 Deep under canvas, say (7) 12 Right around the perimeter

16 Pelt family with stones first 18 One fled to this country (4) 20 Morsel of food obtained for a

little money (10)
22 Vague outline (8)
24 Pola is contained in area of 26 Descent using path takes time

(7)
27 Rock made by tree doctor with tip of log inside (7)
28 Pet as awards, we hear, for

2 Use this to fisher to a musical instrument? (7)
3 Become richest green when in pain (8)
4 Initial difficulty followed birth in poverty (4)
5 Mistake the flow of current



9 Hit with fasteners for extra

salety (4.5.6)

14 Tea crates have right mixture of parts (10)

17 Collect with difficulty to scup-

per s performance (6,2)

19 Use up some medicines rashly
to make poison (7)

21 Suitabla handle attached to can (7)
23 Raspood regarding the
account transfer initially (5)

INTERNATIONAL CAPITAL MARKETS

Treasuries higher on retail prices data

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices edged higher yesterday morning as retail sales figures for January came in generally as expected and dealers covered short positions in advance of more economic data due today.

At midday, the benchmark 30-year Treasury was up 🕯 at 993, to yield 7.638 per cent. At the short end of the market, the two-year note rose % to 100%, yielding 7.202 per cent.

The Commerce Department reported retail sales up 0.2 per cent overall in January and 0.4 per cent excluding motor vehicles. Although the figures were lower than median estimates of 0.4 and 0.7 per cent respectively, they matched the trend predicted by economists because they were accompanied by upward revisions to November and December data. The latest figures showed

goods, including petrol, offset to show inflationary pressures. by weakness in durable goods, Economists expect January such as cars and furniture.

Most economists said the data supported the idea that the economy was slowing but did not agree how the Federal Reserve might view them.

GOVERNMENT BONDS

Mr David Bloom, an economist at James Capel, said: "The main issue is not whether growth is slowing but whether it will slow sufficiently to convince the Fed that it has tightened monetary policy enough to avert an inflation threat. We believe it has not."

In addition to the retail sales data, traders were taking economic figures due today into account. Statistics on consumer prices and capacity utilisation are to be released.

strong gains in non-durable which some fear will continue Economists expect January capacity utilisation close to 85.6 per cent, up from 85.4 per cent in December.

> ■ The Spanish government bond market was Europe's best performer, on weaker than expected inflation data.

Other European government bond markets were largely subdued, with attention on the sharp currency movements on the foreign exchanges, and bond prices settled only slightly higher on the day. The yield spread on Spanish government bonds over German bunds narrowed to 407 basis noints from 417 basis points.

Dealers reported buying of short-dated bonds, with the yield spread between the two and 10-year maturities widening but traders were cautious and expected profit-taking in

tional economist at HSBC. doubted whether the inflation data fully reflected the recent VAT rise, which he expected to boost next month's figures.

French government bonds rose, with the Matif March futures contract settling up 0.14 at 111.96.

However, dealers reported late selling of bonds and Pibor money contracts triggered by an opinion poll showing prime minister Mr Edouard Balladur's lead in the forthcoming presidential elections narrowing. Ms Alison Cottrell, at PaineWebber, said this could have a further negative effect on markets today.

The yield spread over bunds remained broadly unchanged at around 50 basis points.

Lack of progress on the IG Metall wage dispute held back the German government bond

the rising US Treasury market. The March bund futures contract on Life was up 0.22 at 90.49 in late trading. But the yield spread below US Treasuries closed from 29 basis points to 23 basis points

Traders said that some investors were moving out along the yield curve from the currently expensive five-year maturity into seven-year bonds.

WK government bonds underperformed other markets due to the weakness of the

The long gilt future on Liffe was up & at 101& in late trad-ing with a yield spread over bunds of around 146 basis points.

The Bank of England announced that at next week's auction it well sell £2bn of the 8% per cent gilt due December 7 2005, which is fungible with

Italy sees big saving on Ecu5bn loan terms

By Martin Brice -

Italy's Ecusion syndicated loan announced on Monday will save it almost a full percentage point compared with the cost of issuing bonds, the Italian treasury said yesterday. The latest auction of Italian

government bonds denominated in Ecu, known as Certificati del Tesoro (CTEs), resulted in CTEs being sold in January by the Italian treasury at a fixed rate of around 100 basis points over Libor.

The Ecu5bn loan has been priced at 8 basis points over Libor, showing the savings available to borrowers in the market for international credits, where aggressive competition among banks has forced pricing down to very low lev-els, particularly for sovereign

Mr Vincenzo La Via, of the Italian treasury, said: "The loan will give us as much flexibility as possible, and we are getting an attractive saving." The funds will be used to pay for maturing CTEs. Around Ecu28bn worth have been issued, of which Ecn7bn mature in 1995.

The performance of CTRs has been volatile, partly due to the arbitrage opportunities allowed by their being liable to 12.5 per cent withholding tax for domestic investors, which non-Italians can

Mr La Via said the treasury had hoped that by reducing the size of the CTE market, spreads on remaining issues would tighten. This had already begun, he said. "We expected spreads to come in, which we have seen. They have come in by 5 basis points, at least so far."

J.P. Morgan will co-ordinate the Ecu5hn loan, and international banks will be asked to underwrite Ecu300m amounts.

Globalstar shares priced at \$20 each

By Conner Middelmann

A 10m share initial public offering for Globalstar Telecommunications, the partnership formed by Loral Corporation and Qualcomm to design, build and operate a low-earth orbit satellite-based mobile communications system, was priced yesterday at \$20 a share.

Pricing was lower than the initially targeted \$24 to \$26 range, and even below the \$21 to \$22 indicated late last week, when the offering was reduced to 10m shares from the planned 12m. After lamch, the stock traded around \$19 in late

London dealings. Nevertheless, Mr Bernard Schwartz, Globalstar chairman and CEO, said: "We're very pleased with the result - it was well within the target range of what we wanted to do." He said the terms had been

scaled back as a result of difficult market conditions and subdued investor demand for a company which would not produce revenues for several

Globalstar plans to begin bunching satellites in the sec-ond half of 1997, to start commercial operations in 1998 and to generate revenues and posi-tive cashflow in the first 12

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months of operation. We looked at the company and liked it - but the problem is that it doesn't earn any revenues until around 1999," said Mr Michael Mahoney, portfolio manager at the GT Global Telecommunications Fund in San Francisco. "My feeling is: why buy this now?"

In a previous, private financing round Globalstar raised \$275m among telecommunica. tions operators and hardware manufacturers. To meet the project's total capital cost of \$1.95bn, Globalstar plans to raise more funds through the sale of franchises, vendor finencing and short-term borrow-

Globelstar is just one of several groups competing for capi-tal in the global satellite telecommunications race, and the first to complete a public trans-

Serial options on gilts start trading on Liffe

-- Low coupon yield --- Medium coupon yield --- High coupon yield ---Feb 14 Feb 13 Yr. ago Feb 14 Feb 13 Yr. ago Feb 14 Feb 13 Yr. ago

By Richard Lapper

Volume in the first day of trading on Liffe yesterday in serial options on the long UK gilt amounted to 400 lots, accounting for just under 3.5 per cent of total volume traded in gilt options.

Serial options, which are listed on some other exchanges, offer expiry months other than the traditional quarterly months of March, June, September and December.

Last year Liffe introduced serial options on the bund and euromark options contracts. They allow users to benefit from lower premiums and

write shorter dated options for income enhancement strategies. They also permit traders to match exchange traded those bought and sold in the over-the-counter market. Following the introduction of

serial options, a total of four expiry months will be made available - initially March. April, May and June. Mr Daniel Hodson, chief

executive of Liffe, said the new products had "a positive effect on the overall volume traded in financial options and have enhanced the hedging and trading activities available on the exchange".

Ground-breaking Ecu500m deal for Denmark

year Ecu issue.

Dollar deals remained thin on the ground in the eurobond market, as investors waited for economic data due this week. The Kingdom of Denmark provided a deal for investors to sovereign paper when it raised Ecu500m with the first one-

INTERNATIONAL BONDS

The coupon is 6% per cent, which lead manager Crédit Commercial de France said provided funds at a double-digit" number of basis points below Libor. Other houses suggested the deal cost Denmark between 35 and 40 basis points under Libor. By comparison, the Republic of Italy is seeking a Ecu5bn syndicated loan at 8 basis points over Libor to pay for maturing government Ecu bonds.

WORLD BOND PRICES

partly to refinance \$1.5bn of maturing debt. It is the biggest Ecu bond since Portugal raised Ecu750m a year ago, and CCF reported strong demand from central banks and supranational institutions.

Eurofima, the Swiss-based group which funds the purchase of railway rolling stock, raised FFr1.3bn with a 10-year bond callable at five years. The coupon for the first five years is 8.04 per cent, rising to 8.41 per cent if the bonds are not called. Joint book-runners are

CDC and Paribas. Merrill Lynch brought three deals, two in yen and one in escudos. The yen deals were handled by Merrill itself, which pon of 5.05 per cent were targeted at different types of institutional investors.

said the Y5bn, four-year with a coupon of 4.23 per cent and the Y15bn seven-year with a cou-

It also issued Esc.11.4bn of seven-year floating-rate notes

| Borrower | Amount m. | Coupon % | Price | Maturity | Feet | Spread bp | Book runner |
|--|--------------|--------------|----------------------|------------------------|------------------|--------------|--|
| US DOLLARS Daio Paper Corp.(e) 🏺 | 100 | 4,375 | 100.00 | Mar. 1999 | 2.25 | | Yamelchi Intl.(Europe) |
| YEN | | | 400.00 | 14 | | | |
| Assist Phance(Caymen)(b)++ | 25bn | (b1,s) | 100.00 | May 2005 | undiecL | - | Salomon Brothers Ind. |
| Mentil Lynch & Co., T1(s)+ Mentil Lynch & Co., T2(s)+ | 50n 150n | 4.23 6.05 | 100.275R 100.375R | Jun, 1996 Jun, 2002 | 0.275R 0.275R | - | Mentil Lynch International Mentil Lynch International |
| FRENCH FRANCS Eurošma(c) | 1.8bn | (c1) | 100.00Fl | Mar.2005 | · 0.325R | - | CCC/ Banque Parties |
| TALIAN LIRE Islaba Finance | 200bn | 11,00 | 101.29 | Mer.1998 | 1.375 | | Board Rome/Crot.hallano |
| SECC(d) | 100bn | 11.05 | 101.483 | Feb.1998 | 1,375 | | JP Morgan Securities |
| icus Ingdom of Denmark(a) NECCII) | 500 50 | 8.75 8.00 | 99,949R 100,22R | Mar. 1996 Nov. 1998 | 0.10R 0.20R | +5(8%-96) | CCF |
| SCUDOS lents Lynch & Co.± | 11.4bn | (d) | 100.00 | Mer.2002 | 0.25 | | Banco Finantia |

with a coupon of six-month Libor plus 35 basis points through Banco Finantia. J. P. Morgan's debt has been downgraded by Moody's, which

bank's continuing repositioning towards investment banking. Its long-term debt was downgraded from Aal to Aa2. The counterparty and long-term rating of its subsidsaid the move reflects the US

iary banks, including Morgan Guaranty, was lowered to Aal from Aaa. The ratings were put under review on November 10. Around \$5.4bn of debt is

FT-ACTUARIES FIXED INTEREST INDICES

| WORLD | - | - | | NT BO | POW. | | | Bank D | PUTURES | OPTIONS | AJEEP DA | 250.000 no | res of 100 | | |
|--|---------------------------------------|----------------|--|---|------------------------|--|--|---|---------------------------------------|------------------|---|----------------------------|------------------------|------------------------------|--|
| | | | Red | | Day's | Weel | | Strike | | c | IIIS — | | | PUTS - | |
| Associated in the second | | Coupon | | Price | chenge | Yield ego | 800 | Price 9000 | 0.50 | Apr 0.53 | May 0.73 | | Ass Ap 13 0.79 | | |
| Australia Austria | | 9.000 7.500 | 09/04 | 92-2500 98.7300 | -0.340 +0.050 | 10.29 10.19 7.68 7.83 | 7.57 7.70 | 9050 | 0.21 | 0.34 | | | 34 1.0 | | |
| Belgium | | 7.760 | 10/04 | 96.2100 | +0.030 | 8.33 8.20 | 8.48 | 9100 | 0.07 | 0.20 | | | 70 1,4 | 3 1.81 | 1.72 |
| Cenada * Denmerk | | 7.000 | 12/04 | 87.9000 | +0.150 | 8.96 8.94 8.89 8.81 | 9.20 | ESC VOL K | otal, Calla 208 | 01 PURS 800 | i. Physicula c | ette ober m | L Cass 2134 | 483 PUG 17 | 5948 |
| France | DAT | 8.000 7.500 | 05/98 | 101,0900 96,4600 | +0.050 | 7,59 7.60 8.01 7,96 | 7.27 8.40 | Italy | | | | | | | |
| Germany Sun | | 7,375 | 01/06 | 99,4600 | +0.116 | 7.45 7.37 | 7.57 | | DNAL ITALL | | | P) FUTUR | ES | | |
| Instanci Italy | | 6.250 9.500 | 10/04 01/05 | 89.0000 86.0000 | | 8.70† 8.79 11.05 10.80 | 8.77 12.03 | UHE | Lira 200m | | | LEA | Law | Fat and | - |
| Japan N | lo 119 | 4.800 | 06/99 | 103.3700 | +0.080 | 3.91 3.99 | 3.91 | Mar | Open 99.82 | Sett price | +0.27 | High 100.20 | 1.0w 1.0w | Est. voi 32885 | Open 1rd 56311 |
| Nethorlands | No 164 | 4.100 7.250 | 12/03 | 96.8290 97.7100 | +0.120 +0.130 | 4.61 4.66 7.58 7.53 | 4,62 7.80 | Jun | 96.80 | 98.88 | +0.22 | 99.00 | 98.80 | 1112 | 2027 |
| Portugal | | 8.875 | 01/04 | 84,5000 | -0.800 | 11.85 11.85 | 11.63 | II ITALI | AN GOVT, B | OND (BTP) | FUTURES | OPTIONS | (LETTO LIN | 200m 100 | ths of 1009 |
| Spain Sweden | | 10.000 | 02/05 | 61.2500 71.8230 | | 11.46 11.45 10.74 10.71 | 11.73 | Strike | | CA | 113 | | | PUTS - | |
| UK Gate | | 6.000 | 08/98 | 90-16 | - | 8.67 8.41 | 8.62 | Price | | Mer | Ju | • | Mer | | Jun |
| | | 8,500 | 12/05 10/08 | 98-16 102-19 | -1/32 +1/32 | 8.72 8.48 8.67 8.46 | 8.72 8.68 | 10000 | | 1.89 1.37 | 1.46 1.25 | | 0.21 0.39 | | 2.10 2.37 |
| US Treasury " | | 7.875 | 11/04 | 102-09 | +19/32 | 7,54 7.50 | 7.84 | 10050 | | 1,15 | 1.0 | | 0.67 | | 2.66 |
| ECU (French (| Govd | 7,500 8,000 | 11/24 04/04 | 97-25 84,8500 | +13/32 | 7.69 7.62 8.43 8.38 | 7.88 8.76 | Est. vol. to | stef, Calle 168 | Puts 1840. | Previous de | y's open int. | Cally 32237 | Puta 30220 |) |
| London closing. | Now Yor | k mid-day | | | | fields: Local ma | | Spain | | | | | | | |
| † Gross finclude Prices: US, UK i | | | | ont payable | by normalide | onts) Source: MMS | : International | | MAL SPAN | SH BOND | FUTURES | METT | | | |
| I make that have | · · · · · · · · · · · · · · · · · · · | | | | | COMPLEX MAIN | A STANSON AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND ADDRESS OF THE PERSON ADDRESS OF | | Ореп | Sett price | | High | Low | Est. vol. | Open Int |
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| Lunchtime | | | | Treasury | Bills and 8 | ond Yields | | Jun | | 85.19 | | | | 442 | 1,040 |
| Prime rate | | 9 1 | we mouth | | 5.70 Two | 702f | 7.20 | UK | | | | | | | |
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| BOND F | UTUR | ES A | ND OP | TIONS | | | | 101 | 0-30 0-08 | 1-06 D-41 | | -48 0-3 -17 1-0 | | | 1-42 2-11 |
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| IN NOTIONAL | FRENC | H BONG | FUTURE | S (MATIF) | | | | Ecu | | | | | | | |
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| Mar | 111.86 | 111.90 | | _ | 111,8 | | 149,136 | | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
| | 110.98 | 111.08 | | | | | 11,845 | Mar | 81.84 | 81.96 | +0.12 | 82.04 | 31.82 | 3,592 | 6,721 |
| Sep LONG YES | 110,24 | 110.36 | | | 110.2 | 4 1,202 | 1,557 | Jun | 81.78 | 81.74 | +0.12 | 81.78 | 81.78 | 258 | 1,500 |
| Strike | 100 7110 | | ALLS - | NO (MP(III) | | PUTS | | US | | | | | | | |
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| | Motor | ar The | ad Price S | | 14/95 _ LOW | | Notes list | Yanid Red Price £ | + or - High | 4/95 Low | | Notes (i | Yest | e2 +α- | 1894/95 _ High: Low |
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| 1 Up to 5 years (23) | 118.83 | -0.0 | 12 | 118.86 | 1.95 | 1,40 | 5 уга | | 271 | 8.6 | 8 | 5.96 8 | 271 | 270 | 6.22 | 8.89 | 8.87 | 6.32 |
| 2 5-15 years (22) | 138,71 | -0.0 | 13 | 138.76 | 1,96 | 1.73 | 15 yrs | | 8.59 | 8.5 | 8. | 6.78 | 171 | 6.70 | 6.85 | 8.01 | 8.02 | 7.05 |
| Over 15 years (9) 4 predeemables (6) | 154.02 | +0.0 | | 153.96 | | 2.96 | | | 8,55 | 8.50 | | | 1.71 | B.70 | 6.86 | 8.83 | 8.83 | 7.00 |
| All stocks (8(i) | 177.39 135.76 | -0.0 | | 177,43 135,78 | | 1.61 | arred,† | | 8.56 | 6.5 | • | 0.94 | | | | | | |
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| Up to 5 years (2) | 188,72 | | . . | 186.72 | | 1.48 | Up to | | | .85 | 8.84 | | | | 83 2 | | 18. | |
| Over 5 years (11) | 173.80 174,44 | -0.0 -0.0 | | 173.93 | | 0.65 | Over 6 | yra | . 3. | .03 | 3.92 | 3.06 | | 3. | 75 3. | 74 . 2 | .92 | • |
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| wange gross redemption yield | in this bullows | a moove. | Conba | y salanda: | LOW: D76-/-976) M | KENTER D | 76-1U7476; | Hight: 1 | 196 BOOT | OVER T | , H= y | lest, yet Ye | 10 00 | | , | | | . * * |
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| FT FIXED INTER | | | | | | | | GILT | EDI | 16D | AC | TIVITY | | | 4. | · | | |
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week ago

CURRENCIES AND MONEY

MARKETS REPORT

Sterling sinks to two year low against the D-Mark

Sterling yesterday fell to a two year low against the D-Mark as a combination of political uncertainty and economic gloom undermined sentiment,

It opened in London at DM2.3632, and \$1.5542, approximately one cent and one pfennig below where it closed on Monday. The exchange rate index opened at 87, from the previous close of 87.5.

It then traded fairly steadily through the day, before slip-ping further against the D-Mark in the afternoon. It closed in London at DM2.3563. from DM2.3741 on Monday, and \$1.5567, from \$1.5636. The index finished at 86.9.

Market sentimant towards sterling is negative, and most analysts expect it to weaken further. The picture, however, is of a market experiencing a bout of nerves, rather than one in outright panic. There was no indication of intervention from the Bank of England to

POUND SPOT FORWARD AGAINST

day on the foreign exchanges. Concern about the outlook for US interest rates, and renewed worries about Mexico, weighed on the currency. It finished at DM1.5137, from DM1.5184, and

at Y98.68 from Y98.57. Despite its strength against sterling and the dollar, the D-Mark lost ground against most European currencies. It finished slightly firmer against the lira and the franc, but ended down against the Swed-ish krone, the pesets, and the

■ The trigger for sterling's fall was the breach in early trading of the 1994 low for sterling of DM2.3710. This triggered e further technically driven wave of selling. Stop-loss orders are

1.5835 1.5829 1.5816 1.5542

often clustered around key technical levels.
Mr Rob Loewy, head of foreign exchange at Midland Global Markets, said volumes Global Markets, said volumes were heavy in the first two hours of trading, but there was little follow-through selling. He said there was "very little domestic aelling", with most of the activity coming from international investors.

This wave of technical selling came against a backgroup of

ing came against a backdrop of political uncertainty, and con-cern that the UK economy might be on the brink of the unhappy combination of slow-ing growth and rising inflation. Also relevant was the posi-tioning of the market: many fund managers had bought sterling in late 1994 on the back of the UK's strong economic fundamentals, especially

ments position. When sterling failed to rally, these fund managers started to unwind their positions. If further reason were needed, it

the improved balance of pay-

don, said inflation was the

came in the form of political uncertainty. Fears that the government might lose the support of Ulster Unionists, and hence its parliamentary majority, and renewed discord about the Tory position on Europe, caused foreign inves-tors to worry about whether the government could remain

DM1.5070 at lunchtime in New York, having breached a key vated on Monday hy the release of producer inflation resistance level at DM1.5150. It figures that were much worse is not far above levels that than market expectations. Mr Kit Juckes, international econhave previously attracted cenomist at SG Warburg in Lon-Mr Mike Rosenberg, head of

current market moves. With

activity levels generally low, the market was liable to "gang up" on currencies, producing

moves that were "out of sync

with fundamentals.

"real threat" for sterling. He said worries about inflathe market appeared to be say-ing that the dollar needed tion had the potential to "gnaw away at confidence in the UK's ability to go it alone* (outside of the ERM). In this scenario, wider interest rate spreads than it was likely to get, comhe said, "you are more likely to see a sterling downtrend than a sterling crisis."

The next technical support level for sterling is DM2.35. If it breaches that, analysts believe it is likely to re-test the all time low of DM2.3130, reached in February 1993.

■ The Bank of England cleared a £450m money market shortage at established rates. Thres month LIBOR firmed slightly to 6% per cent, from

These worries were aggra-

The dollar was trading at

fixed income research at Merrill Lynch in New York, said week ago Japan week ago pared to Germany, if it was to He cautioned, however, against reading too much into

sec 1 main: 5%; 3 mille: 53; 6 mille: 65; 1 year 63; 5 LIBCR ince

EURO CURRENCY INTEREST RATES 177.551 178.210 114.150 114.450 2721.00 2724.00 1748.00 1750.00 0.4540 0.4653 0.2367 0.2368 3.8075 1.8126 2.4455 5.4455 5640.89 5645.55 4256.00 4259.00 5.7132 1.57206 3.5718 1.8740 54 - 413 54 - 5 413 - 413 516 - 514 611 - 856 61 - 812 312 - 314 756 - 612 312 - 778 613 - 612 214 - 214 2 - 178 Danish Krone
D-Mark
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US Dollar +0.02 +0.03 20.485 4,303 2,721 ■ THREE MONTH EURODOLLAR (LIFFE)* \$1m points of 100% Mar Jun Sep Dec 82.29 III THREE MORTH EUROMARK FUTURES (LIFFE)" DM1m points of 100% +0.02 +0.02 +0.03 94,84 94,45 94,07 93,67 12904 25750 17549 94.86 94.48 94.09 93.70 93 64 THREE MONTH EUROLINA INT.RATE FUTURES (LIFFE) L1000m points of 100% +0.09 +0.09 +0.07 +0.06 90,82 5619 90,02 89.63 89.33 6210 1265 635 MONTH MURO SWISS FRANC PUTURES (LIFFE) SFr1m points of 100% Sett price Change Low +0.03 +0.04 +0.04 +0.05 95.91 95.57

THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

93.78 93.27 92.82 92.37

| -0.017 | 775 | 825 | 10.7140 | 10.8775 | 10.8725 | 0.9 | 10.5527 | 1.0 |
|-0.027 | 575 | 800 | 5.9820 | 5.9575 | 5.9586 | 0.5 | 5.9538 | 0.3 |
|-0.0227 | 575 | 800 | 5.9820 | 5.9575 | 5.9586 | 0.5 | 5.9538 | 0.3 |
|-0.0125 | 506 | 556 | 4.8684 | 4.8506 | 4.8504 | 0.7 | 4.8461 | 0.8 |
|-0.0137 | 465 | 480 | 5.2715 | 5.2465 | 5.2447 | 0.8 | 5.2401 | 0.5 |
|-0.0047 | 134 | 139 | 1.5228 | 1.5134 | 1.5124 | 1.0 | 1.5092 | 1.2 |
|-0.0047 | 134 | 139 | 1.5228 | 1.5134 | 1.5124 | 1.0 | 1.5092 | 1.2 |
|-0.0057 | 770 | 238.550 | 234.390 | 240.745 | -15.1 | 245.495 | -13.0 |
|-0.004 | 498 | 513 | 1.5543 | 1.5439 | 1.5124 | 1.0 | 1.5504 | 0.1 |
|-0.004 | 498 | 513 | 1.5543 | 1.5439 | 1.5534 | 0.1 | 1.5504 | 0.1 |
|-0.0068 | 953 | 950 | 1.5543 | 1.6953 | 1.810.4 | -2.2 | 1817.65 | -2.5 |
|-0.0088 | 953 | 950 | 1.7089 | 1.8953 | 1.8944 | 1.0 | 1.6908 | 1.2 |
|-0.0115 | 395 | 425 | 6.6870 | 6.8385 | 8.6386 | 0.8 | 6.8305 | 0.6 |
|-0.028 | 735 | 400 | 500 | 157.000 | 156.490 | 158.835 | -3.0 | 157.855 | -3.6 |
|-0.029 | 780 | 655 | 7.4386 | 7.3780 | 7.3916 | -1.8 | 7.4128 | -1.7 |
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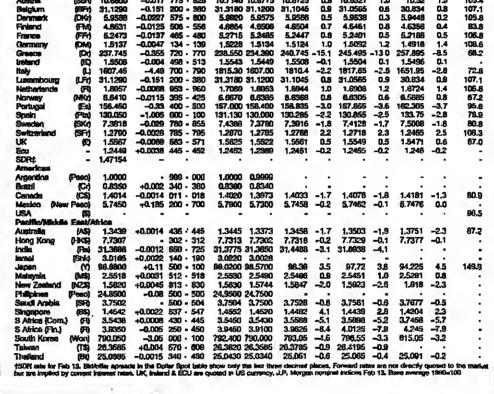
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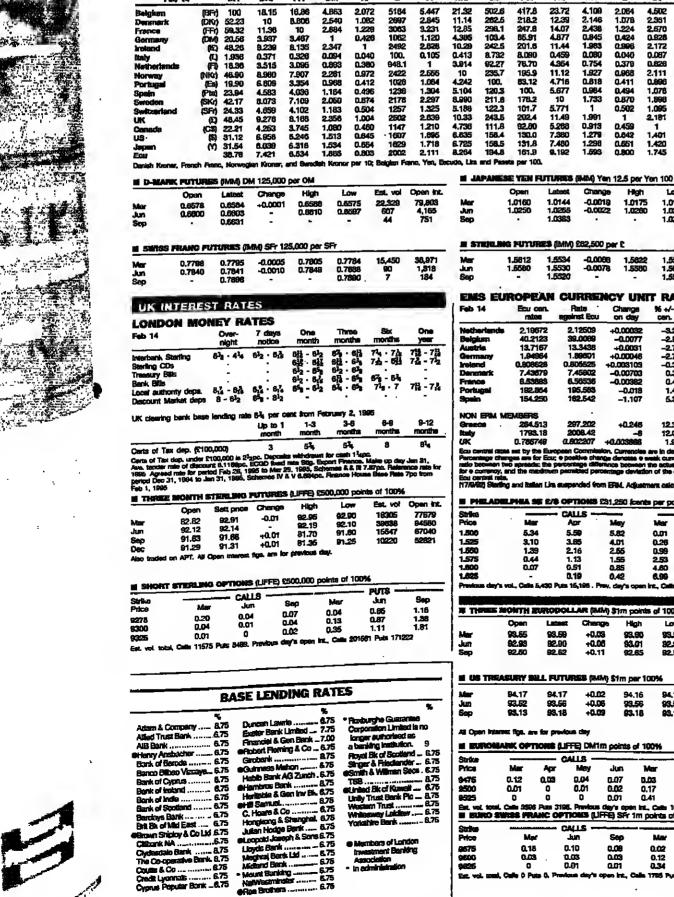
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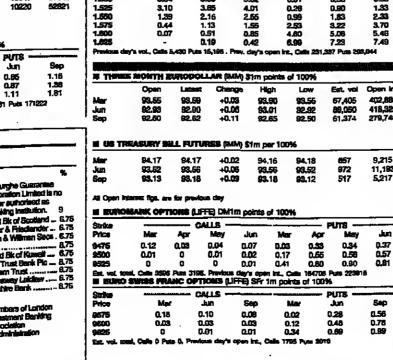
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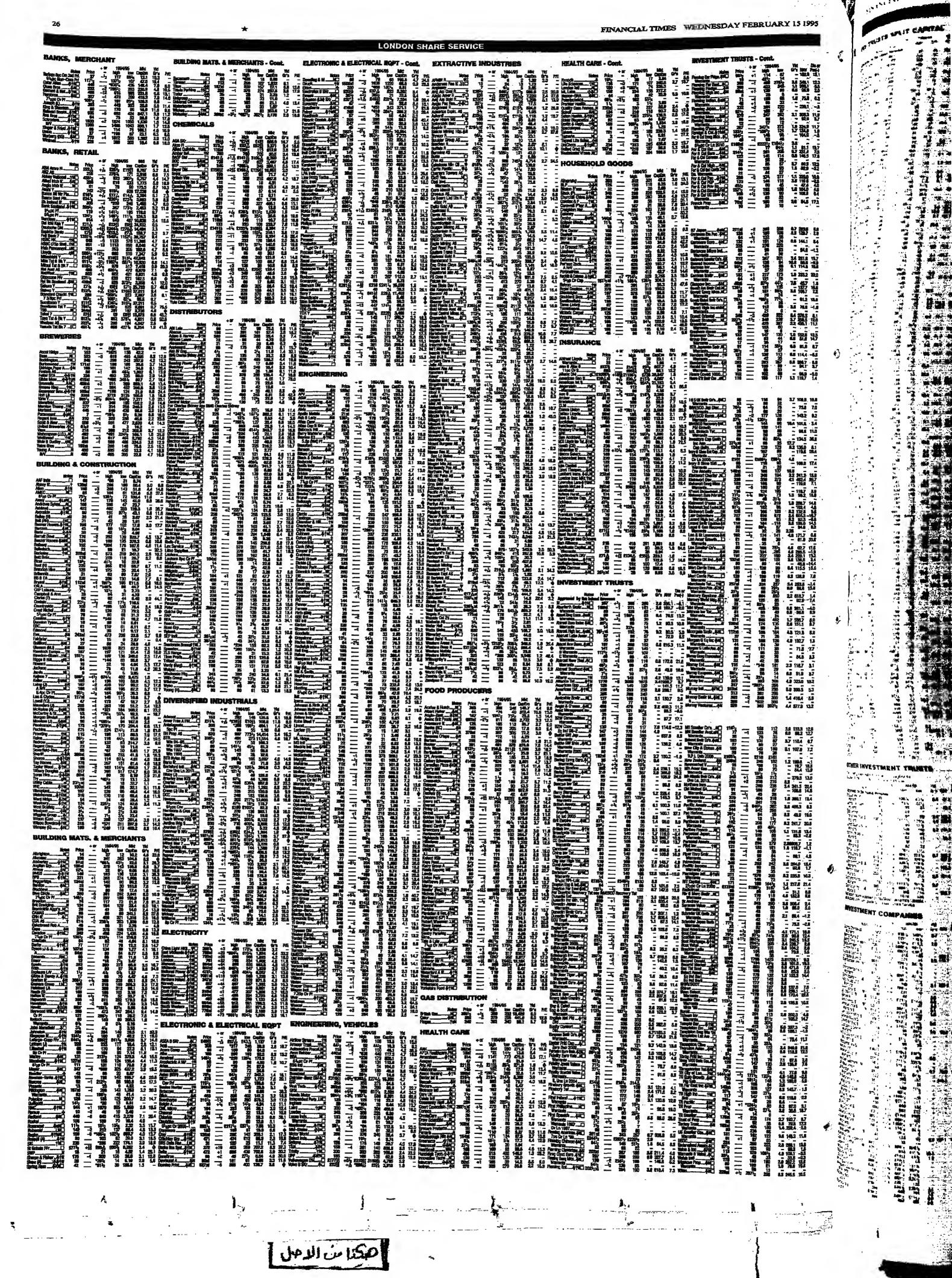




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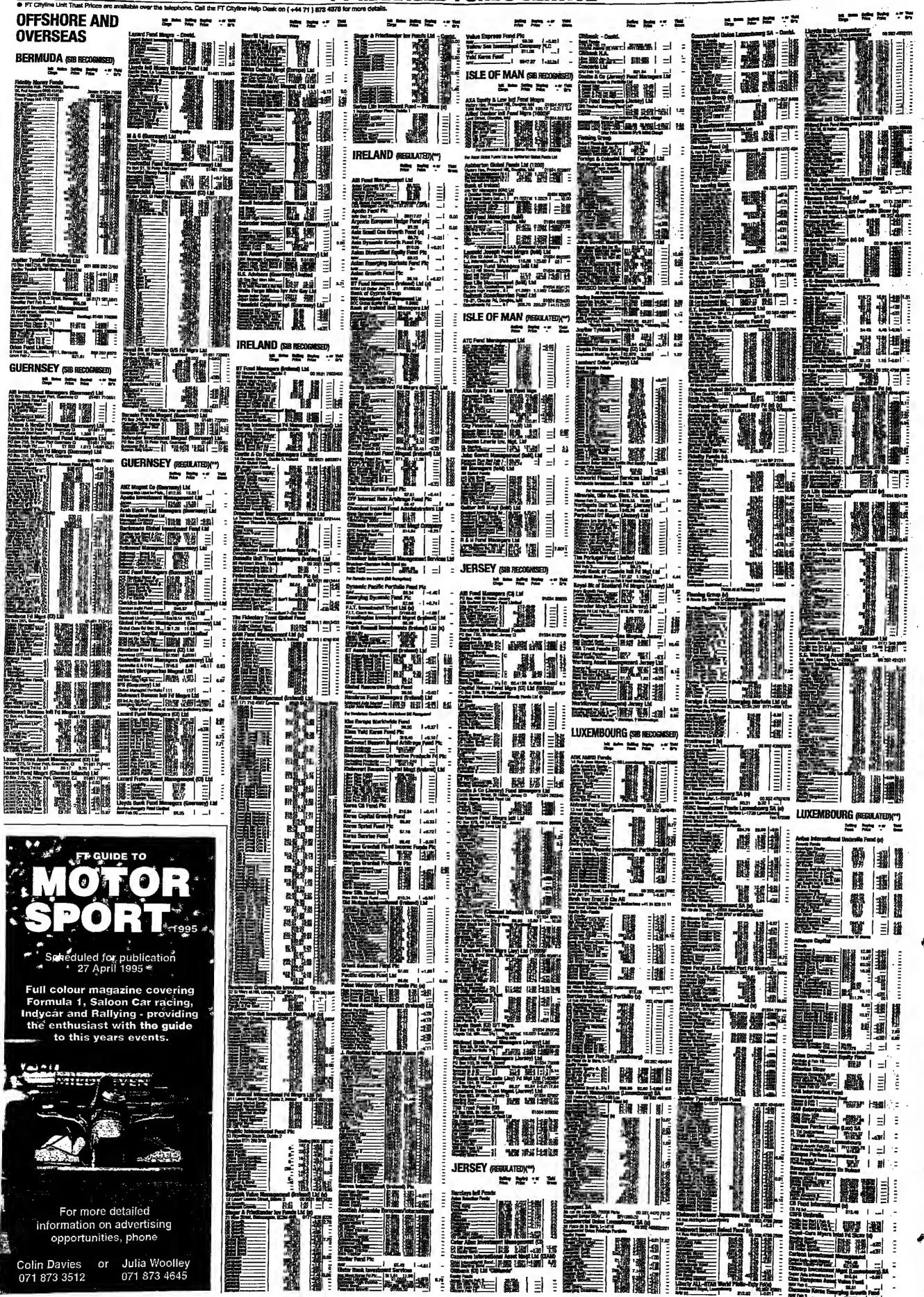
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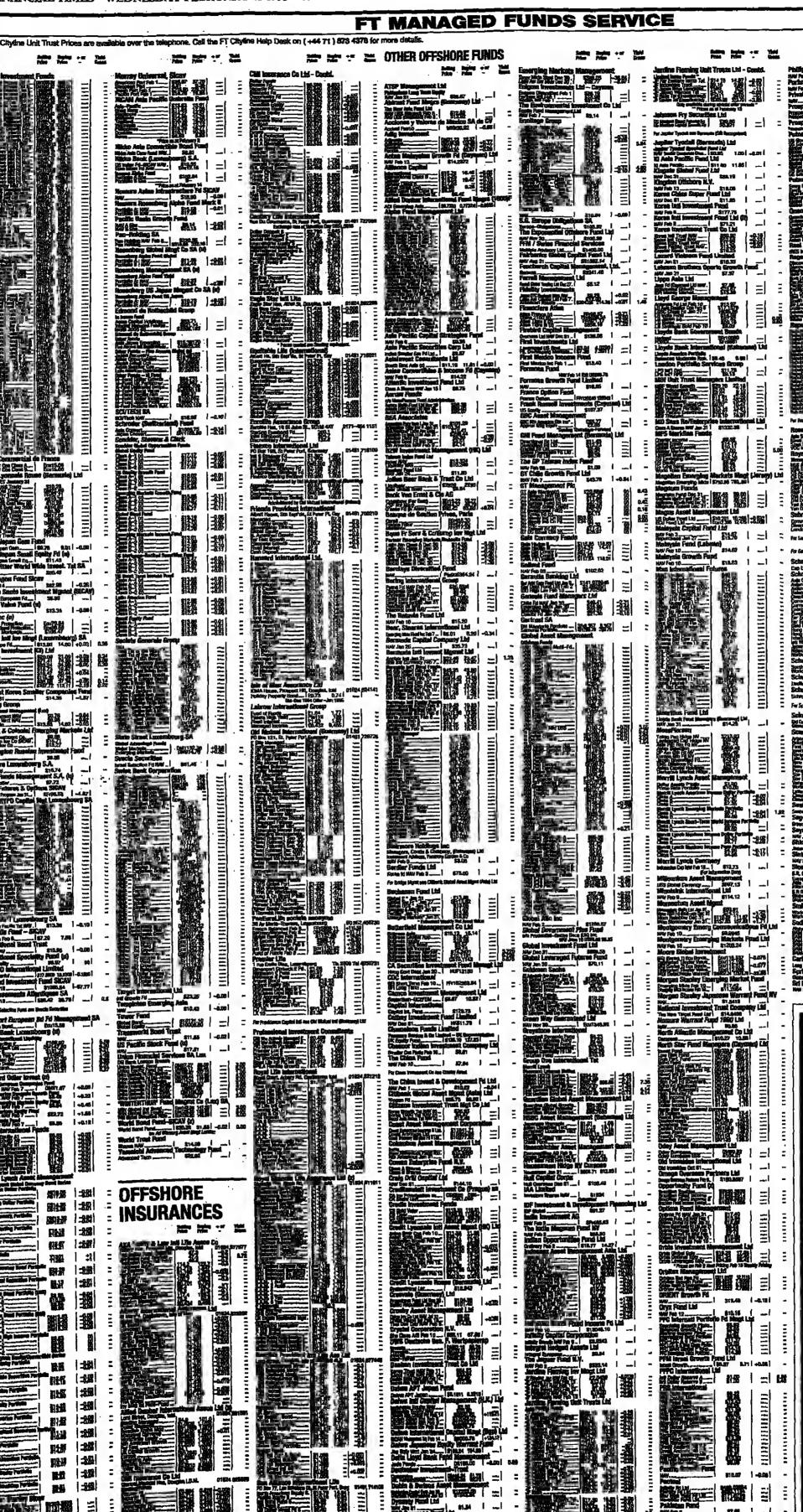
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LONDON STOCK EXCHANGE

MARKET REPORT

Recs excitement fails to aid the Footsie stocks

By Terry Byland, UK Stock Market Editor

A choppy trading session in London stocks reflected new uncertainty over sterling as well as over prospects for this week's flow of important data on the UK and US economies. Official clearance for the £1bn-plus Trafalgar House bid for Northern Electric drove regional electricity stocks ahead but elsewhere the rally soon faded.

Towards the close the FT-SE 100-Share Index fell away steadily in spite of favourable US retail sales figures. The market finished at the low of the day, with the FT-SE 100 showing a net decline of 9.8 at

3,071.3, contrasting sharply with a rise of 16.7 to 3,462 in the FT-SE Mid 250 Index, which takes in most of the regional electricity sector.

The session opened nervously after the latest survey of distribu-tive trades by the Confederation of British Industry disclosed a sharp fall in sales last month - sounding a warning note ahead of publication today of official retail sales figures for January.

But a modest dip in equities was soon recovered when clearance for the Trafalgar House bid revived speculative interest. Weakneso in sterling was at first ignored by equities, which took their lead from firmness in UK government bonds.

A series of trading statements from leading UK companies dominated interest. Shares in British Petroleum were unimpressed by the fourth-quarter trading statement and not even the higher dividend payment could bring in the buyers. Reuters, the global business information group, turned easier.

The early gains in share prices lacked conviction and the shine quickly went off equities when the gilt-edged market turned back as sterling continued to slip against the D-Mark. A trading programme from a leading UK brokerage house also failed to support the market. London was moving lower when Wall Street opened, and although the Dow maintained a very modest improvement during UK hours, the Footsie was still weak at the close. UK analysts commented that the benign move in US retail sales failed to take the market's mind off prospects for today's list of data.

Mid-morning will bring the latest UK retail price index, the prime inflation indicator, to be accompanied by equally significant statistics on domestic retail sales, unemployment, unit wage costs and average earnings. These will test the market's recently recovered confidence that further rises in base rates have become less likely. This confidence has already been jolted this week by an unexpected rise

son's success with its Quantum

acquisition would be an

encouragement. "They only

acquired it in October 1993 and

it has been a real gangbuster."

He believes the conglomerate will continue to benefit from

continued economic recovery.

As does Panmure Gordon,

which reiterated its strong buy

stance. However, there is con-cern that cyclicals might fall

out of favour, and Hanson said

growth for the rest of the year

would not be at the same rate

as the first quarter. Hanson shares finished a penny higher

A large selling order exe-

cuted by Goldman Sachs, the

US investment bank, under-

mined the British Petroleum

share price, in spite of news of

near top of the range fourth-

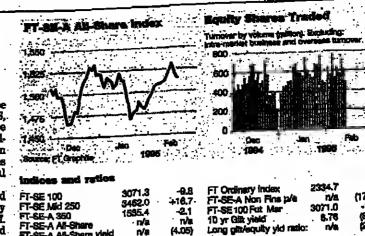
quarter results. A 20 per cent

increase in the quarterly divi-

BP sold

in producer prices in January, Interest rate optimism will also be tested today by data from the US, where the latest consumer price index and statistics on canacity utilisation and industrial production will present a guide to the pressures on the policies of the Federal Reserve

Seaq trading volume was boosted by the heavy turnover in utility stocks as bid speculation took off. Just over 708m shares were traded. through the Seaq electronic network, compared with Monday's 519m. Retail, or genuine customer, business declined on Monday, with a total value of £989.9m, the first figure below £1bn for some weeks.



Recs up on bid clearance

News that Mr Michael Heseltine, trade and industry secretary, had waved through the Trafalgar House bid for Northern Electric ignited the whole of the electricity sector. His decision also triggered heavy demand for water

One leading marketmaker in the recs said Mr Heseltine's move "means it is now open season for the recs". Northern Electric was the market's top performer, the shares spiralling unwards to close almost 12 per cent higher with e gain of 116 at 1091p. Turnover came to 9.4m shares. Utilities specialists now

expect a strongly phrased defence document on Friday from S.G. Warburg, Northern's City advisers. Analysts believe this may include a 150p e share special dividend as well as a commitment by Northern to pass straight to shareholders the expected windfall from the sale of its stake in the National

Analysts also believe that Trafalgar will be obliged to increase its offer to at least £12 per share to capture Northern. The green light for the bid was also seen as excellent news for Trafalgar House shares, which finished 3 higher at 69p.

Utilities surge

Stocks in the utilities industry provided the top three per- disappointment that no

formers in the FT-SE 100 list and the top 11 in the FT-SE Mid 250 index as takeover speculation gripped the sectors.

Takeover tales circulating in the market suggested that another bid in the recs could appear as early as this morning, with Yorkshire Electricity the favourite target, closely fol-lowed by South Wales Electricity, South Western Electricity, Manweb and Norweb.

"The recs are already worth £10 s share and, with a bid, that figure goes up to £12 to £14 a share," said Mr Douglas Falconer, utilities specialist at Yamaichi Europe, the stockbroker. Mr Angelos Anastasiou, utilities specialist at Panmure Gordon, put forward a takeout price of £11 a share for

Southern Electricity was the FT-SE 100's best performer, closing 37 higher at 775p, and Eastern Group advanced 26 to 730p, although both stocks are viewed as potential bidders for smaller recs rather than targets for a predator.

Gains among the other recs ranged from London's 4.4 per cent to Manweb's 6.75 per cent. Severn Trent was the strongest feature in the water stocks, closing 21 up at 527p.

Hanson active

A very steep rise in first quarter profits and fevered bid speculation ensured that Han son, the international conglom erate, was in the market spot light yesterday.

The shares were the most heavily traded in London, with 25m changing hands in furious two-way business. On the downside, there was

announcement of a proposed acquisition was made. The market has been on bid alert for weeks and takeover candidates were noticeably strong

early yesterday. Yorkshire Electricity outshone most regional power companies by leaping 9 per cent or 73p to 884p. It was also the most heavily traded rec, with 6.9m shares transacted as several dealers remained convinced that a deal will be announced today.

Meanwhile, Footsie targets Argyll and United Biscuits remained steady, the former a half-penny firmer at 275%p and the latter 4 up at 350p.

Analysts believe that, while Argyll could prove expensive, a bid is in the offing and s move by a UK company would be the most logical - particularly in the light of Hanson's advance corporation tax situation. Mr Jack L. Kelly of Goldman Sachs commented that Han-

FINANCIAL TIMES EQUITY INDICES

Feb 14 Feb 13 Feb 10 Feb 6 Feb 6 Yr ago 1High 2334.7 2344.4 2384.8 2358.2 2337.7 2606.6 2713.8 2238.3 4.50 4.46 4.44 4.46 4.50 3.53 4.66 3.43 Ord. div. yield 4.50 Emm. yid. % full 6.66 P/E ratio net 17.82 P/E ratio nil 16.94 4,48 6,60 17,98 17,10 3.53 3.86 4.48 6.63 4,44 6.57 4.50 6.66

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| | Feb 14 | Feb 13 | Feb 10 | Feb 0 | Feb 8 | Yr ago |
| SEAO bargains | 23,517 | 22,282 | 23,616 | 24,582 | 19,972 | 29,886 |
| Equity turnover (Em) | , | 989.9 | 1286.0 | 1681.0 | 1313,6 | 1621.0 |
| Equity burgainst | , | - 31,183 | 31,442 | 31,934 | 27,736 | 33,606 |
| Shares traded (mil)† | | 495.9 | 698.5 | 718.4 | 574.A | 631,3 |
| | | | | | | |

| Plises and falls" | | 1994/96 Highs to | ad lows | LIFFE Equity optic | SCHIE |
|-------------------|-------|------------------|---------|--------------------|--------|
| Total Rises | 535 | Total Highs | 24 | Total contracts | 38,422 |
| Total Falls | 566 | Total Lows | 84 | Calls | 14,041 |
| Same | 1,824 | | • | Puts | 24,381 |

dend to 3p fell only fractionally short of one rather ambitious

forecast of 3.1p.

Mr Steve Turner, oil special-

sation came under pressure fol-lowing Monday evening's meeting with the City to discuss its planned disposal of its holding in Rank Xerox which was

ish view of the meeting, with one suggesting it was "quite heated and antagonistic. The shares responded yesterday by falling 8 to 384p. Mr Andrew Hunter at Hoare Govett, who remains cautious on the stock, said: "The shares are likely to remain dull until the EGM called for later this month to vote on the disposal. Longer term it will be a while before the new investment plans prove their worth." He suggested an acquisition within the next few weeks was one thing that could boost the stock.

trade of 2.5m after Kleinwort Benson reiterated its captions stance on the stock. Currency concerns overhung Grand Metropolitan, leaving the shares

trailing 8 at 376p. In transports, bargain hunters helped Eurotunnel recover from a recent decline as the group announced summer fares for its Le Shuttle service. The shares hardened 4 to 296p.

The new fares at Eurotunnal brought fears of tougher com-petition across the Channel for P&O, which operates ferries. The shares relinquished 6 at 594p in trade of 2m.

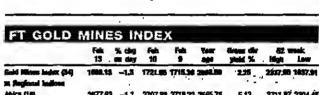
Profit-taking in Mersey Docks and Harbour ahead of today's figures saw the shares tumble 14 to 375p.

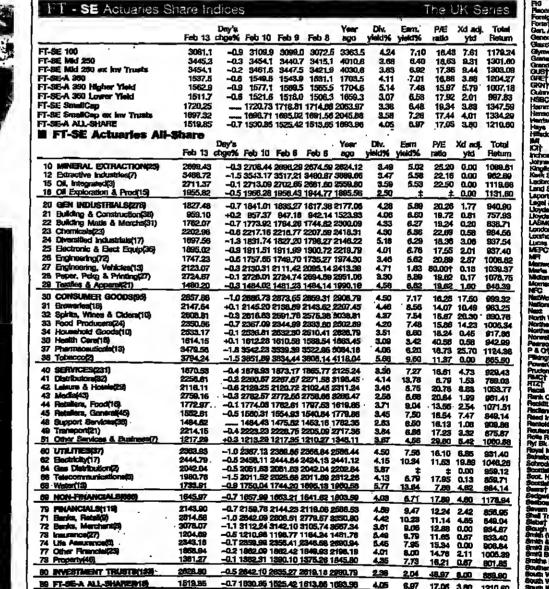
A two-way pull in industrial

group BTR brought heavy vol-ums of 20m. The shares firmed a penny to 316%p.
Stocks in the retailing sector retreated after the publication of a downbeat CBI distributive trades survey indicating a dis

appointing January for high street retailers. Marks and Steve Thompson, Spencer gave up .71/2 to 389p. Sears closed 31/2 lower at 101p after active trading of 5.2m.: Joel Kibazo

LONDON RECENT ISSUES: EQUITIES price peld cap 1994/95 p up (2m) High Low Stock 17.5 19¹4 13 Bath Press 28.4 55 51¹4 Lazard Birla Incla 23.4 32¹2 29¹4 Do Warrards 22.1 35 34 MCIT 5 Cap 23.4 36 38 MCIT 8 km 40.5 94 80 Matheson Lloyds 18.0 130 90 Penter CB 4.50 11¹4 10¹2 Wessex Trust 282.1 128 116 Woodchester Units \$10 F.P. - F.P. - F.P. 35 F.P. 100 F.P. - F.P. - F.P.





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Most analysts expressed gen eral satisfaction with the figures and said BP was on track to meet its new target of \$8hn

of replacement cost net income by 1996. "If oil prices pick up or refining margins improve, BP might even reach that target a year early," said one specialist. Mr John Toalster, oil analyst at Strauss Turnbull, described

the results as "very pleasing, we still see the shares as undervalued; the only disappointment was the market's

ist at Nomura, said: "Underlying earnings were up 33 per cent, which is by far the best performance of any of the international oil majors that have reported so far. To date the best has been Exxon, up 10 per cent. On fundamentals the shares are good value." They settled 7 lower at 419p on 12m Leisure giant Rank Organi-

announced in January. Several analysts took a bear-

Shares in spirits group

Allied Domecq fell 13 to 504p in

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TRADING VOLUME

W. Mater Stocks Yesterday

MARKET REPORTERS:

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A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees. The villagers of Mugunga, Zaire, for example, cat

papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces. Where trees are chopped down for firewood,

WWF and the local people can proteet them by planting fast-growing varieties to form a renewable fuel source. This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take

two hundred years to mature. The Markhamia lotea trees planted by WWF and local villages eao be harvested within five or six years of planting. Where trees are chopped down to be used for

construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree ourseries are just part of the work we

do with the people of the tropical forests. WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

to be cleared every two or three years. This unnecessary destruction can be prevented by

combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.) WWF fieldworkers are now involved in over 100

tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



International Secretariat, 1196 Gland, Switzerland,

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

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Sales data fail to give direction

Wall Street

US share prices edged down yesterday morning as data on January retail sales failed to provide the market with direction and investors awaited more figures due out today, writes Lisa Bransten in New

At 1 pm the Dow Jones Industrial Average was off 2.69 at 3,951.52. The Standard & Poor's 500 lost 0.61 at 481.04 and the American Stock Exchange composite shed 0.41 to 447.19. The Nasdaq composite eased 0.33 to 789.09. Volume on the NYSE was 172m shares. According to the Commerce

American Express



Oct 1994 Source: FT Graphite

Department, retail sales rose only 0.2 per cent in January, and 0.4 per cent excluding auto sales. Relatively strong gains in non-durable goods such as department store merchandise and petrol were offset by weakness in sales of durable goods such as cars and furniture. Although the figures were

weaker than expected, they generally fell in line with trends predicted by economists because their release was accompanied by upward revisions to November and Decem-

Mr Ed Yardini and Ms Debhie Johnson at C.J. Lawrence/Deutsche Bank Securities offered ambiguous commentary on the slightly weaker than expected sales figures. "We do not think (a) soft landing has started, but it is possible," they said.

Mexico makes gain in a piecemeal fashion weighed

Equities rose in early trading on reports that the governor of Chiapas had resigned in an effort to bring peace to the

The IPC index was up 15.87 SAO PAULO recovered some composure at midsession, having fallen 4 per cent at the opening. The Bovespa index was down 736 or 2 per cent at 32,213 at 1 pm in turnover of R\$27im (\$325m).

Cardoso intended to send

LIMA advanced 5 per cent, led by gains in blue chips as investors responded to news

Analysts said the fact that President Fernando Henrique reform proposals to Congress

Golds overcome early losses

Gold sbares recovered early declines in Johanneshurg as bullion posted a mild gain and sentiment towards the metal improved. However, the recovery was limited by the continstrength of the financial rand following comments by President Nelson Mandela late on Monday that the country was considering dropping the

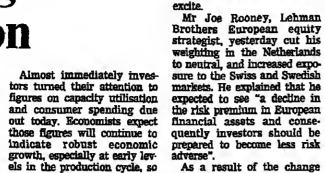
FT-ACTUARIES WORLD INDICES

The overall index dipped 29.5 to 5,183.5 and industrials fell 37.9 to 6,341.8 but golds

ended 9.3 ahead at 1,602.9. Iscor came under pressure hut closed off the day's worst. It was finally 15 cents off at R4.20, having touched R4.08, after announcing on Monday that it was going ahead with its R1.3bn rights asue at R3.80 a share.

Pechiney International declines 8.8% in Paris

equity markets, while the latest US economic data failed to



As a result of the change Royal Dutch and Elsevier were to be removed from Lehman's recommended portfolio, and Volvo and Nestié included, to reflect a more positive stance towards the consumer cyclical sector at the expense of the

investors continued to worry

that the Federal Reserve might

raise interest rates again in the

the figures were released.

Sears Roebuck lost \$% at \$47

and Toys R Us slipped \$1/2 to

\$29%, while Dayton Hndson gained \$% at \$73% and The

Mr Warren Buffet moved the

market yesterday after Securi-ties and Exchange Commission

filings showed that his com-

pany, Berkshire Hathaway, had lifted its stake in Ameri-

can Express to nearly 10 per

cent. Shares of American

Express jumped more than 4

per cent or \$1% to \$33% on the news. Mr Buffet said be would

seek approval to raise his share above 10 per cent.

Revco D.S. lost nearly 14 per cent of its value, falling \$3 to \$18% after two analysts downgraded their recommendations

on the shares in the drug

Eli Lilly retreated \$% to \$64

after the pharmaceuticals com-

pany reported earnings below

analysts' projections. The com-

pany put net income for the

fourth quarter at \$1.00 per

share, where analysts had

Toronto edged lower at midday

as investors awaited news of

the Bank of Canada's key lend-

ing rate, with money market

traders forecasting a modest

Telebras preferred fell 1.1 per

val index stood at 375.05, ahead

of Argentina's first Treasury

bill auction of 1995 later in the

that Peru and Ecuador had

agreed to a ceasefire in a bor-

der conflict. The general index

was 56.21 ahead at 1.102.4.

rise in the bank rate.

Canada

on sentiment.

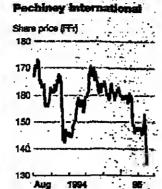
cent to R\$26.40.

Limited advanced \$% to \$18.

Retailers were mixed after

PARIS failed to hold on to earlier highs and the CAC-40 index finished with a gain of 5.78 at 1,856.09, after a high of 1,865.07. Turnover was

Pechiney International suffered a aharp fall following the release of disappointing 1994 results, released after hours on Monday, which surprised analysis by the size of the loss.



The shares dropped FFr13.20 or 3.8 per cent to FFr136.80 in high turnover. Mr Lionel Rayon of Nomina

in Paris commented that in spite of the negative results he still believed that the packag-ing company, in which Pechiney, the state aluminium group, holds a 67 per cent stake, had "upside potential" in 1995 and 1996. But, he added, the company

now had to demonstrate to investors that the new managewas DM6.7bn. ment team was seriously sing strategic issues. Credibility in the manage-

pon Steel, down Y4 at Y346, and Mitsubishi Heavy Indus-

Sumitomo Metal Mining was

among the day's winners, mov-

ing forward Y3 to Y804 on spec-

In Osaka, the OSE average shed 222.79 to 19,860.49 in vol-

ume of 70.3m shares. Acyama

Trading, the suit maker, lost

Y120 at Y1,690 on profit-taking.

Reports in a Sonth Korean newspaper that Deng Xiaoping, the Chinese leader, was in a

coma and on oxygen support

made for an uneasy session in

many regional markets. Bang-kok was closed for a public

HONG KONG remained in

the doldrums in the absence of

fresh impetus, and the Hang 1.4 per cent lower at 7,862.67, having been as much as 165.19

points down in morning trade.

tors were sidelined awaiting

the outcome of renewed trade

talks between the US and China, and this week's key US

Turnover picked up to

HK\$2.7bn from Monday's HK\$2bn. HSBC declined HK\$1.75 to HK\$78.25, Hender

son Land was down HK\$1.00 at

HK\$36.40 and Hang Seng Bank

slipped 80 cents to HE\$44.60.

The H-shares of the 15 main

land China companies listed in

Hong Kong were generally

easier, the index surrendering

7.17 at 1,044.55. SINGAPORE was slightly

easier as, in the absence of

Straits Times Industrial index

closed 4.05 lower at 2,089.07

volume of 180.9m shares.

solidation continued.

resh news, the market's con-

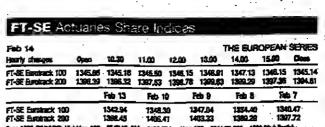
economic data.

Dealers said that most inves-

try, Y24 weaker at Y623

ulative buying.

Roundup



ment of the company has been shaken," he said, "and the market now wants tangible signs that things are begining to turn around." This would be revealed in September when the company was due to publish first-half 1995 figures. Alcatel Alsthom, down FFr4.00 to FFr441.10, published

good 1994 sales figures which

could prompt a rise in the stock today, brokers said Its subsidiary, Alcatel Cable, lost FFr17 or 4.3 per cent at FFr374. FRANKFURT made ground during official hours but slipped back in the lbis in reaction to US retail sales data.
The DAX index ended up 16.29 at 2,133.24, while the Ibis settled at 2128.33. Turnover

Construction stocks did well, with Bilfinger & Berger up DM20 to DM745, and Holzmann

DM2 higher at DM787 ahead of the release of 1994 sales and earnings figures today. Lufthansa added DM2 at DM206, helped by reports that

European airlines were finally

emerging from the recession, with passenger numbers rising. MILAN was mixed at the end of the February account, with the Comit index falling 2.20 to 668.74 but the real time Mibtel index registering a rise of 33 at

Telecom Italia was one bright spot, rising Les or 22 per cent to L4.525 on the back of US demand which emerged after the retail sales figure was released early in the afternoon. The insurers also put in positive performances in response to foreign demand, with Ras L75 higher at L17,938 and Generali gaining L346 at L39,581. A L15 fall in Montedison to

L1,244 was attributed to rumours that a leading investment bank was downgrading its view of the company, which many analysts are expecting to have broken even at operating level last year.

Olivetti continued on its downward path, giving up L38 to L1,906, while Fiat was L27 lower at L6,516 in spite of news that it had regained second place in the European new car registrations league in January, its best performance for

two years.
ZURICH finished higher, but below its best levels, in low volumes, with the day's US retail data failing to enliven trading and the market awaiting today's US CPI figures. The SMI index moved forward 6.4 to 2.642.4 UBS bearers were actively

traded but they managed to pick up just SFr1 to SFr1,038, with the bank again said to be buying its own stock. Chemicals saw demand, with

Roche certificates firming SFr40 to SFr6,780 and Sandoz gaining SFr14 at SFr712 as renewed demand was seen from London investors. SMH advanced SFr21 to

ppreciated 2.67 per cent and

the "B" stock 2.40 per cent. Benpres Holdings and First

Philippine Holdings advanced

sharply after a toll way con-

tract was signed in the morning with a French company.

SYDNEY remained preoccu-

ied by worries over the out-

look for domestic interest rates

and the economy. The All Ordi-

naries index lost 11.5 at 1,834.8,

just off a low of 1.833.5. Turn-

over was modest at A\$368.4m.

In the mining sector, CRA-

relinquished 6 cents at A\$16.40

SPress, with ABN-Amro, which has recommended the stock,

said to be a big buyer.

MADRID overcame early indecision which followed stronger than expected January CPI data to end near the day's highs in lively trading.

Analysts said that a 1 per cent rise in January inflation, which was well below expectations, prompted initial speculation that next month's figure could disappoint. However, the caution subsequently gave way to optimism and the General index rose 2.19 to 289,14 in

turnover of Pta24.6bn. STOCKHOLM was underpinned by hopes of good company reports. The Affärsvärlden general index added 10.50 at 1,563.80. Ericsson was the most traded share in turnover of SKr372m as the stock rose SKr8 or 1.9 per cent to SKr438.5, while Volvo fell SKr0.50 to SKr148.50 in techni-

COPENHAGEN was flat in spite of a sharp fall in Uni-bank, the second largest bank ing group. The Top 20 KFX index edged 0.08 higher to 96.15 as Unibank fell DKr8 to DKr228 on profit-taking and foreign selling of the stock.

Written and edited by John Pitt

ASIA PACIFIC

Nikkei easier as Deng health reports restrain region

Tokyo

Shares slipped as profits were taken on construction issues and corporate shareholders sold stock ahead of the March vest-end book closing, writes Emiko Terozono in Tokyo. The Nikkei 225 average lost

175.39 at 18,138.47 after a day's low of 18,065.13 and high of 18,277.44. Investor confidence was depressed by the announcement on Monday by Japan Securities Finance, the company which lends out stocks for margin trading, that it was running short of Fudo Construction shares.

The TSE-300 composite index Growing worries over was 1.40 softer at 4,099.00 by reports that Mr Toshio Yamanoon in volume of 27.6m guchi, secretary general of tha New Frontier party, the main opposition group, had been close friends with Mr Harunori Hayes Dana forged ahead C\$5% to C\$17% after the Ohiobased Dana group said that it planned to offer C\$17% a Takahashi, owner of a speculative property development company and former president of one of the two credit unions share for the stake it did not bailed out by financial authorities, also hit trading in the

Mr Yamaguchi subsequently announced his resignation from the party's post, further damaging investor confidence and raising fears of political turbulence. Mr Takahashi is BUENOS AIRES was down 3 well known for his links to polper cent, breaking through a fiticians on both the ruling and key resistance level. The Meroposition parties.

Volume totalled 260m shares. against 286m. Individuals sold construction shares, while overseas investors and companies took profits on their blue chip holdings. Traders said the rise in the yen partly prompted

selling by foreigners.

The Topix index of all first section stocks shed 16.03 to 1,409.37 and the Nikkei 300 declined 3.09 to 258.32. Falls led advances by 783 to 200, with 205 issues unchanged. But in London the ISE/Nikkei 50 index edged up 1.06 to 1.155.29.

Sumitomo Construction, the day's most active issue, fell Y13 to Y752, while Fudo Construction dropped Y80 to Y1,170. Dredging companies were also lower, with Penta-Ocean Construction retreating

Y26 to Y814. Sega Enterprises fell Y200 or 4 per cent to Y4.640 on reports that it might be losing a battle with Sony over a new genera-

tion of video game machines. Amcol Holdings advanced 29 The shares had been dropping cents to \$\$2.94 on news that for the past few days, after risthe Pebble Bay property develing to Y5,180 on February 2. opment was selling well. Amcol has a similar develop-Overseas investors liquidated holdings in the electrical ment nearby.

sector: Matsushita Electric However, the Pebble Bay Industrial receded Y80 to news had little impact on the YL870 and NEC Y14 to Y910. shares of its developers. DBS Selling hy foreign hrokers Land and Straits Steamship depressed trading companies, Land (SSL). DBS Land finished with Mitsul sliding Y22 to Y712 2 cents softer at \$\$3.52, while and Sumitomo Y22 to Y863. SSL was 10 cants firmer at Corporate selling hit large-capital issues, including Nip-KUALA LUMPUR saw fur-

ther profit-taking as investors became cautious after the recent surge. The composite index closed 7.43 lower at

Brokers also suggested that some investors might have used rumours that the Chinese leader had died as an excuse to sell after the strong run. Volume shrank to 192m shares from the 401m regis-

tered on Monday, reflecting the

Multi-Purpose Holdings again led activity, climbing 8 cents to M34.40 as interest continned to be fanned by talk of a takeover hid. Repco Holdings closed 95

cents higher at M39.35 on the group's plan to acquire a gam-SEOUL finished 1.6 per cent

lower on worries that the government would further tighten liquidity after the minister of finance was quoted in local newspapers as saying that he believed the economy was overheating. The composite index lost 15.61 at 941.49, but was up from a low of 937.99 seen in the early afternoon. MANILA was propelled higher as investors bought food and beverage group San

nies late in the session.

and WMC receded 11 cents to ASR SR Among banks, CBA was up 13 cents at A\$8.60 after releas-Miguel and two holding compaing good six-month figures.

TAIPEI fluctuated within a narrow range and the weighted 18.72 at 2,660.51 after dipping to index closed a marginal 6.38 an intraday low of 2,622.25 in early trade. Turnover declined to 1.39bn pesos from 1.59bn. higher at 6,504.59. Turnover amounted to T\$40.2bn.

Investors remained concerped that the central bank might tighten monetary policy. Plastics and textiles issues gained ground, KARACHI ended lower as

reports of continuing violence in the city outweighed a rise in blue chip issues. The KSE 100share index declined 4.26 to

BOMBAY edged higher as some domestic funds, including the Unit Trust of India, the country's largest mutual find, became selective buyers, but the overall trend was weak. --The BSE-30 index improved 9.95 points to 3.515.99 as tovestors sought blue chins in the B group, which are viewed as

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NATIONAL AND Gross Div. Yield US Dollar Index | 142.64 | 161.76 | 133.72 | 196.89 | 196.89 | 177.04 | 161.40 | 161.40 | 153.61 | 161.44 | 15.60 | 161.40 | 163.61 | 161.40 | 163.61 | 161.40 | 163.61 | 161.40 | 163.61 | 161.40 | 163.61 | 161.40 | 163.61 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 161.40 | 16 151.34 181.77 160.58 122.56 119.52 245.30 178.22 155.77 138.25 306.43 201.53 128.01 133.70 102.04 99.51 204.24 148.38 129.69 115.10 254.31 167.80 63.51 114.40 983.90 826.41 175.42 57.34 169.25 274.30 240.14 106.57 193.16 132.88 117.76 152.88 99.46 108.51 105.53 81.54 78.55 181.21 117.12 102.37 90.85 200.72 132.44 45.26 133.59 216.55 89.36 162.46 121.76 121.76 122.76 142.53 134.77 130.65 196.20 126.05 135.59 135.59 115.10 319.27 90.85 90.30 477.32 5364.06 172.87 60.84 183.80 232.76 288.45 133.74 145.00 185.27 185.27 185.27 185.27 185.27 185.27 185.27 168.83 169.16 128.94 126.49 2256.46 187.97 145.80 323.03 272.46 81.37 1445.82 1058.93 221.89 77.245.83 343.87 215.28 343.87 215.28 343.87 196.77 196.72 197.28 151.91 160.53 122.48 122.48 120.45 157.01 138.59 306.85 201.82 77.30 137.27 461.48 1005.87 210.75 288.93 128.02 233.03 169.41 144.21 145.37 128,72 133,81 134,04 102,18 100,23 204,78 148,94 130,97 115,80 255,96 168,35 64,45 134,96 883,06 170.63 105.85 105.73 80.63 79.10 161.82 81.23 802.00 132.85 90.37 803.80 90.37 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.89 134.82 214.83 120.54 298.81 133.88 157.79 128.94 277.40 177.56 67.25 398.10 984.79 191.28 62.06 177.53 294.56 205.56 124.87 124.87 124.87 .120.00 .256.73 .187.97 .164.30 .145.81 Hong Kong (56 .322.15 .212.56 _80,45 144,92 76.28 137.40 461.08 992.57 210.28 68.87 203.28 \$29.44 268.43 126.80 232.00 169.57 141.46 185.27 167.03 ..486.31 1046.89 594.76 2594.05 221.30 77.20 216.03 401.38 342.00 150.82 245.38 169.42 175.82 57.27 170.58 272.04 240.66 106.79 194.43 132.97 .214.40 244.69 197.26 112.81 106.82 145.87 96.24 100.01 120.16 96.32 181.09 172.11 234.21 152.51 160.58 182.87 154.98 231.21 151.81 152.36 218.20 98.61 119.94 192.59 131.88 204.48 122.96 142,92 135,33 184,56 120,67 129,70 152,24 122,04 143.48 136.37 185.58 120.84 127.24 152.83 172.01 163.48 222.47 144.87 152.53 183.21 147.19 216.62 152.92 180.93 178.56 151.76 181.37 2.61 3.09 1.45 1.22 2.05 2.84 2.48 3.28 2.07 2.16 2.94 113.24 107.82 146.45 95.37 100.41 120.61 98.90 144.58 100.67 105.94 117.56 364473843347 171.65 162.54 221.66 144.93 152.18 182.95 146.57 219.12 162.55 160.68 844448484848484 171.44 233.80 284.21 176.88 175.14 192.95 156.12 278.48 197.70 145.93 154.73 175.67 144.12 211.19 217.41 99.56 119.55 192.57 151.12 122.78 183.20 127.55 134.24 148.86 Europe Ex. UK (516) 182.44 127.01 133.78 204.43 122.53 140.87 162.84 107.02 135.58 144.84 -0.2 171.61 163.20 107.44 136.14 145.15 190.80 185.92 173.86 0.0